

**CITY OF HAMMOND, LOUISIANA****ANNUAL FINANCIAL REPORT***June 30, 2011*

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JAN 18 2012**

# **CITY OF HAMMOND, LOUISIANA**

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# Kushner LaGraize, LLC

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayson Foster, Mayor  
Members of the City Council  
City of Hammond, Louisiana

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise City of Hammond, Louisiana's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of City of Hammond, Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component units discretely presented in the financial statements which account for 100% of the assets and 100% of the revenues of the governmental activities of the component units. Those financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, herein, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hammond, Louisiana as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2011 on our consideration of the City of Hammond, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 12 and the required supplementary information on pages 68 through 70 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hammond, Louisiana's financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplementary information on page 72 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 1, 2011

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
*June 30, 2011*

The Management's Discussion and Analysis (MD&A) of the City of Hammond, Louisiana's financial performance provides an overview and an objective, narrative analysis of the City's financial activities for the year ended June 30, 2011. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read it in conjunction with the City's financial statements, which begin on page 14.

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Hammond's Governmental Activities exceeded the liabilities at the close of the most recent year by \$36,013,519.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$10,596,259, an increase of \$261,502 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$805,260.
- The City's total liabilities in the Statement of Net Assets at the end of the current fiscal year were \$31,052,066 in comparison to \$32,558,009 in the prior year.
- The City received \$743,192 in gaming revenue from Video Bingo. The City's Capital Projects Fund received 75% of the gross proceeds or \$557,394 and the Children's Museum Fund received 25% of the proceeds or \$185,798.
- The City's sales tax revenue increased by \$258,667 in comparison to the prior year. The City of Hammond collected \$15,745,079.
- The City's enterprise fund experienced a decrease in nets assets of \$185,113 in comparison to the prior year.
- The City of Hammond welcomed several new stores and several relocated stores into the Hammond Square Shopping Center and other areas within the City. The public-private partnership with Hammond Square is anticipated to stabilize sales taxes in a faltering economy and to generate an additional sales tax base and ad valorem base for fiscal year 2011 and beyond.

## **CITY OF HAMMOND, LOUISIANA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*June 30, 2011*

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The business-type activities of the City include one enterprise activity – a water and sewer system.

The government-wide financial statements include not only the City itself (known as the primary government), but also three component units: The Hammond Downtown Development District, City Court of Hammond, and Marshal of City Court of Hammond. Financial information for the Hammond Downtown Development District is blended with the financial information for the City. Financial information for City Court of Hammond and Marshal of City Court of Hammond is reported separately from the financial information presented for the primary government itself. Complete financial statements of these entities, which include separate MD&A's, can be obtained directly from their respective administrative offices.

The government-wide financial statements can be found on pages 14 - 15 of this report.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2011*

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a variety of funds, which are grouped for management purposes into special revenue, debt service and capital projects fund groups. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Sales Tax Fund, both of which are considered major funds. Data from all the other governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 17 - 20 of the report.

**Proprietary Funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally for general liability, worker's compensation self-insurance and health insurance. The services provided by these funds benefit the governmental and business-type functions. They have been included within business-type and governmental activities in the government-wide financial statements.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2011*

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for water and sewer systems.

Proprietary fund financial statements can be found on pages 21 - 24 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 66 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hammond, assets of governmental and business-type activities exceeded liabilities by \$56,149,718 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, 90%, reflects the investment in capital assets net of any related outstanding debt used to acquire those assets. The City of Hammond uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For more detailed information refer to page 14, Statement of Net Assets.

An additional portion of the City of Hammond's net assets, 10%, represents resources that are subject to external restrictions on how they may be used.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2011*

**Net Assets.** The following table reflects condensed information on the City's net assets:

City of Hammond, Louisiana						
<u>Net Assets</u>						
	Governmental Activities 2011	Governmental Activities 2010	Business-Type Activities 2011	Business-Type Activities 2010	Total 2011	Total 2010
<b>ASSETS:</b>						
Current and other assets	\$ 12,499,063	\$ 12,625,074	\$ 2,608,962	\$ 1,150,201	\$ 15,108,025	\$ 13,775,275
Land	3,967,758	6,468,058	158,047	158,047	4,125,805	6,626,105
Construction in progress	542,755	326,275	753,983	635,225	1,296,738	961,500
Capital assets (net of accumulated depreciation)	<u>47,583,519</u>	<u>46,550,549</u>	<u>19,087,697</u>	<u>20,515,662</u>	<u>66,671,216</u>	<u>67,066,211</u>
<b>TOTAL ASSETS</b>	<u>64,593,095</u>	<u>65,969,956</u>	<u>22,608,689</u>	<u>22,459,135</u>	<u>87,201,784</u>	<u>88,429,091</u>
<b>LIABILITIES:</b>						
Other liabilities	3,136,069	3,802,807	2,058,502	1,738,623	5,194,571	5,541,430
Noncurrent liabilities	<u>25,443,507</u>	<u>26,617,379</u>	<u>413,988</u>	<u>399,200</u>	<u>25,857,495</u>	<u>27,016,579</u>
<b>TOTAL LIABILITIES</b>	<u>28,579,576</u>	<u>30,420,186</u>	<u>2,472,490</u>	<u>2,137,823</u>	<u>31,052,066</u>	<u>32,558,009</u>
<b>NET ASSETS:</b>						
Invested in capital assets, net of related debt	30,268,349	29,678,803	20,136,199	20,019,664	50,404,548	49,698,467
Restricted for:						
Debt service	3,358,450	3,493,649	-	301,648	3,358,450	3,795,297
Capital Projects	2,472,435	2,101,602	-	-	2,472,435	2,101,602
Unrestricted	<u>(85,715)</u>	<u>275,716</u>	<u>-</u>	<u>-</u>	<u>(85,715)</u>	<u>275,716</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 36,013,519</u>	<u>\$ 35,549,770</u>	<u>\$ 20,136,199</u>	<u>\$ 20,321,312</u>	<u>\$ 56,149,718</u>	<u>\$ 55,871,082</u>

**Capital Assets**

There was a net decrease in Capital Assets of \$2,560,057 for the year ended June 30, 2011. This decrease is primarily the result of the City selling a tract of land for \$2,575,000 to the Hammond Recreational District Number 1 that the City purchased in the prior year.

**Long Term Debt**

At year-end, the City of Hammond had \$22,595,000 in bonds outstanding, which was a decrease of 8.3% over the prior year, as shown in the Table on the next page. More information about the City of Hammond's long term liabilities is provided in notes 9, 10, 11, and 19.

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2011*

**Long Term Debt (Continued)**

The following table reflects information on the City's Bonds Payable

Governmental Funds:

	<u>Balance</u> <u>06/30/2011</u>	<u>Balance</u> <u>06/30/2010</u>
Sales Tax Bonds, Series 2002	\$ 4,945,000	\$ 5,240,000
Sales Tax Bonds, Series 2005	3,765,000	4,100,000
Sales Tax Bonds, Series 2006	13,885,000	14,455,000
Refunding Certificates of Indebtedness, Series 2003	-	200,000
Limited Tax Certificates of Indebtedness, Series 2005	<u>-</u>	<u>140,000</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b><u>\$ 22,595,000</u></b>	<b><u>\$ 24,135,000</u></b>

Proprietary Funds:

	<u>Balance</u> <u>06/30/2011</u>	<u>Balance</u> <u>06/30/2010</u>
Water & Sewer Revenue Refunding Bonds, Series 2003	\$ -	\$ 515,000
<b>TOTAL PROPRIETARY FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 515,000</u></b>

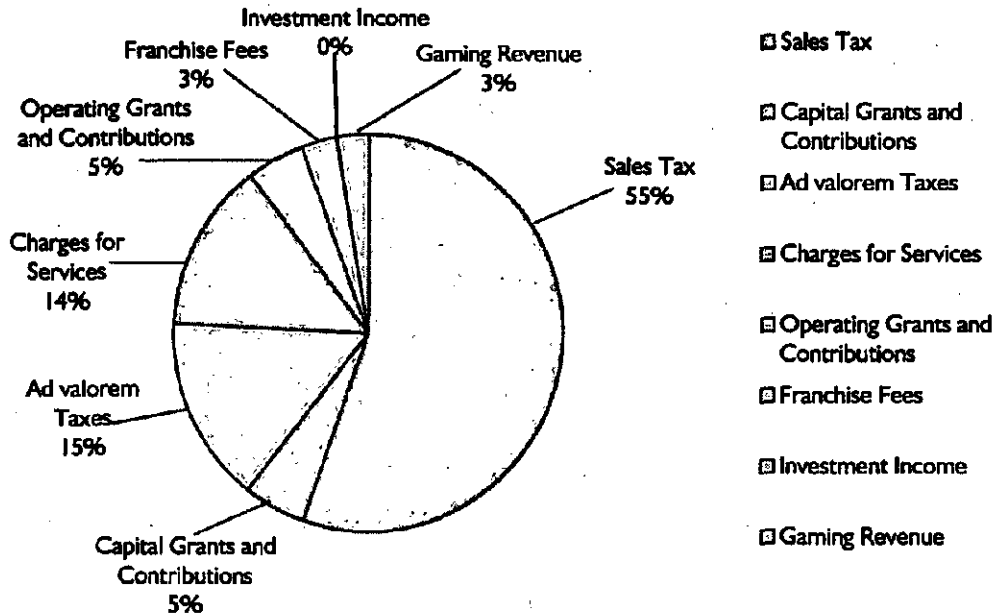
**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2011*

**CHANGES IN NET ASSETS.** The City's total revenues and expenses for governmental and business-type activities are reflected in the following table of condensed information:

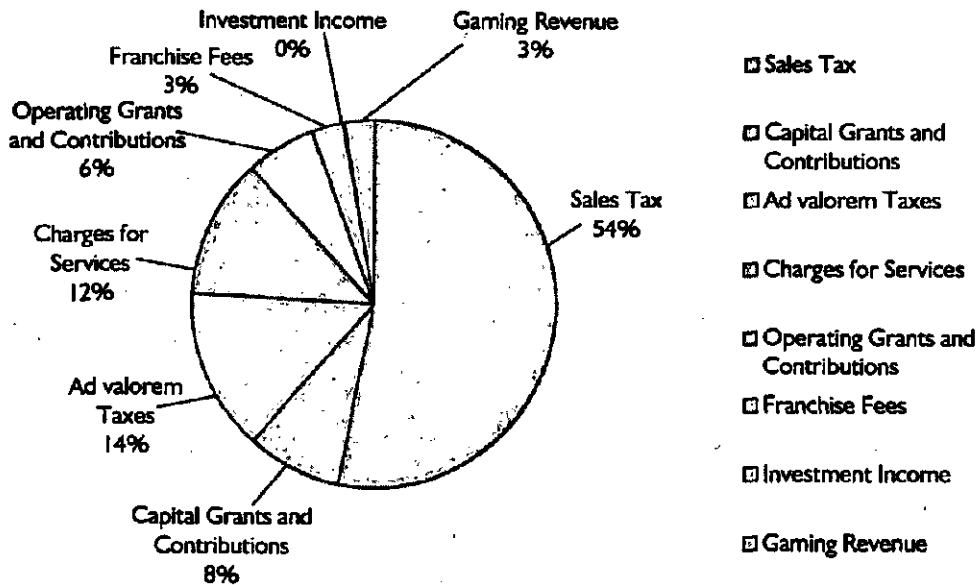
City of Hammond, Louisiana Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUE:</b>						
Program revenues:						
Charges for services	\$ 3,926,887	\$ 3,576,337	\$ 4,397,292	\$ 4,445,785	\$ 8,324,179	\$ 8,022,122
Operating grants and contributions	1,365,604	1,819,412	174,211	972,400	1,539,815	2,791,812
Capital grants and contributions	1,480,852	2,447,654	-	-	1,480,852	2,447,654
General revenues:						
Sales tax	15,745,079	15,486,412	-	-	15,745,079	15,486,412
Ad valorem taxes	4,337,920	4,180,391	-	-	4,337,920	4,180,391
Franchise fees	812,114	793,279	-	-	812,114	793,279
Investment earnings	35,027	51,136	2,537	3,179	37,564	54,315
Gaming revenues	743,192	791,810	-	-	743,192	791,810
Transfers	(89,830)	(449,038)	89,830	449,038	-	-
<b>Total revenues</b>	<b>28,356,845</b>	<b>28,697,393</b>	<b>4,663,870</b>	<b>5,870,402</b>	<b>33,020,715</b>	<b>34,567,795</b>
<b>EXPENSES:</b>						
General government	5,122,783	5,601,502	-	-	5,122,783	5,601,502
Economic development	247,364	227,610	-	-	247,364	227,610
Urban redevelopment	34,289	86,609	-	-	34,289	86,609
Public safety - police/fire	14,093,147	12,787,352	-	-	14,093,147	12,787,352
Public works	4,731,927	5,056,227	-	-	4,731,927	5,056,227
Health and sanitation	799,015	826,467	-	-	799,015	826,467
Culture and recreation	1,564,097	1,204,948	-	-	1,564,097	1,204,948
Airport	709,565	624,413	-	-	709,565	624,413
Cemeteries and municipal grounds	1,193,467	1,084,655	-	-	1,193,467	1,084,655
Water and sewer operating expenses	-	-	4,801,274	4,951,021	4,801,274	4,951,021
Paying agent fees on long-term debt	1,406	1,406	-	-	1,406	1,406
Interest on long-term debt	993,044	1,051,089	-	-	993,044	1,051,089
Loss on disposal of capital assets	60,626	30,533	47,709	-	108,335	30,533
<b>Total expenses</b>	<b>29,550,730</b>	<b>28,582,811</b>	<b>4,848,983</b>	<b>4,951,021</b>	<b>34,399,713</b>	<b>33,533,832</b>
<b>Increase (decrease) in net assets</b>	<b>(1,193,885)</b>	<b>114,582</b>	<b>(185,113)</b>	<b>919,381</b>	<b>(1,378,998)</b>	<b>1,033,963</b>
<b>Net assets - beginning of year (originally stated)</b>	<b>35,549,770</b>	<b>36,142,602</b>	<b>20,321,312</b>	<b>19,401,931</b>	<b>55,871,082</b>	<b>55,544,533</b>
<b>Prior period adjustment</b>	<b>1,657,634</b>	<b>(707,414)</b>	<b>-</b>	<b>-</b>	<b>1,657,634</b>	<b>(707,414)</b>
<b>Net assets - beginning of year (restated)</b>	<b>37,207,404</b>	<b>35,435,188</b>	<b>20,321,312</b>	<b>19,401,931</b>	<b>57,528,716</b>	<b>54,837,119</b>
<b>Net assets - End of year</b>	<b>\$ 36,013,519</b>	<b>\$ 35,549,770</b>	<b>\$ 20,136,199</b>	<b>\$ 20,321,312</b>	<b>\$ 56,149,718</b>	<b>\$ 55,871,082</b>

**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
*June 30, 2011*

**Revenues by Source – Governmental Activities June 30, 2011**



**Revenues by Source – Governmental Activities June 30, 2010**



**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
June 30, 2011

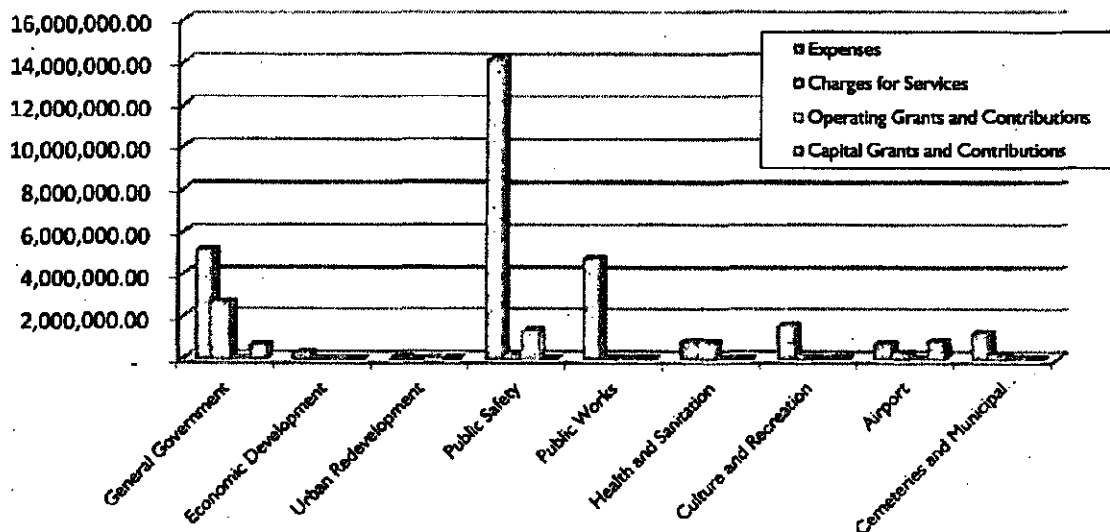
The following chart reflects the City's revenues for the years ended June 30, 2011 and 2010:

<u>Revenues</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Difference</u>
Sales Tax	\$ 15,745,079	\$ 15,486,412	\$ 258,667
Capital Grants and Contributions	1,480,852	2,447,654	(966,802)
Ad valorem Taxes	4,337,920	4,180,391	157,529
Charges for Services	3,926,887	3,576,337	350,550
Operating Grants and Contributions	1,365,604	1,819,412	(453,808)
Franchise Fees	812,114	793,279	18,835
Investment Income	35,027	51,136	(16,109)
Gaming Revenue	743,192	791,810	(48,618)
<b>Total Revenues</b>	<b>\$ 28,446,675</b>	<b>\$ 29,146,431</b>	<b>\$ (699,756)</b>

The cost of all governmental activities for the year ended June 30, 2011 was \$29,490,104. The Statement of Activities for the year ended June 30, 2011 on page 15 shows that those who use the services financed \$3,926,887 and \$2,846,456 was financed by grants and contributions with the City's general revenues financing \$21,522,876.

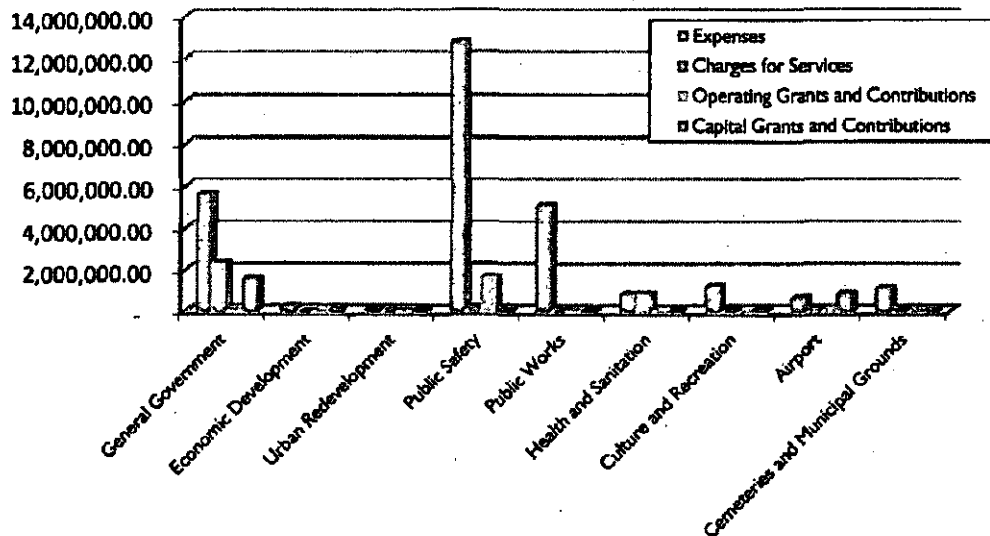
The City's largest programs are public safety, public works, and general government. The graph below shows the expenses and program revenues generated by governmental activities.

**Expenses and Program Revenue – Governmental Activities**  
**For the Year Ended June 30, 2011**



**CITY OF HAMMOND, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS-CONTINUED**  
June 30, 2011

**Expenses and Program Revenue – Governmental Activities**  
**For the Year Ended June 30, 2010**



**Request for Information**

Questions concerning any financial information provided or request for additional financial information should be addressed to Larry Francis, Director of Finance, City of Hammond, P.O. Box 2788, 310 East Charles, Hammond, Louisiana 70404-2788, (985) 277-5625.

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS (GWFS)**

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	City Court of Hammond	Marshal of City Court of Hammond
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,635,003	\$ 587,826	\$ 4,222,829	\$ 81,672	\$ 130,174
Investments at cost				656,673	-
Receivables					
Customers (net of allowance for doubtful accounts of \$50,000)		918,726	918,726	-	-
Franchise taxes receivable	192,787	-	192,787	-	-
Notes receivable	568,401	-	568,401	-	-
Other receivable	334,577	-	334,577	-	1,574
Prepaid insurance	750,463	-	750,463	-	9,893
Due from other governments	1,892,482	405,268	2,297,750	34,788	25,896
Restricted assets					
Cash and cash equivalents	4,208,347	697,142	4,905,489	69,322	-
Investments				126,256	-
Bond issuance costs, net	103,994	-	103,994	-	-
Internal balances				51,608	-
Due from other funds	813,009	-	813,009	-	-
Land	3,967,758	158,047	4,125,805	-	-
Construction in progress	542,755	753,983	1,296,738	-	-
Capital assets (net of accumulated depreciation)	47,583,519	19,087,697	66,671,216	65,051	48,525
<b>TOTAL ASSETS</b>	<b>64,593,095</b>	<b>22,608,689</b>	<b>87,201,784</b>	<b>1,085,370</b>	<b>216,062</b>
<b>LIABILITIES</b>					
Accounts payable	499,926	108,348	608,274	16,835	-
Payroll taxes payable	97,688	-	97,688	-	-
Salaries payable	236,537	-	236,537	28,586	20,459
Claims payable	476,366	-	476,366	-	-
Claims incurred but not reported	51,006	-	51,006	-	-
Due to other governments	-	441,043	441,043	-	-
Interest payable	80,580	-	80,580	-	-
Retainage payable	24,090	-	24,090	-	-
Unearned grant income	1,155	-	1,155	-	-
Other payable	413,721	-	413,721	-	28,013
Accumulated leave payable	-	-	-	33,089	-
Due to other funds	-	813,009	813,009	-	-
Payable from restricted assets					
Customers' deposits	-	696,102	696,102	-	-
Bonds payable - current portion	1,255,000	-	1,255,000	-	-
Noncurrent liabilities					
Other post-employment benefits payable	178,348	21,820	200,168	-	-
Bonds payable	21,340,000	-	21,340,000	-	-
Accumulated leave payable	3,925,159	392,168	4,317,327	39,901	21,234
<b>TOTAL LIABILITIES</b>	<b>28,579,576</b>	<b>2,472,490</b>	<b>31,052,066</b>	<b>118,411</b>	<b>69,706</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	30,268,349	19,999,727	50,268,076	65,051	20,512
Restricted for:					
Debt Service	3,358,450	-	3,358,450	-	-
Capital projects	2,472,435	-	2,472,435	-	-
Judicial building fund	-	-	-	195,578	-
Unrestricted	(85,715)	136,472	50,757	706,330	125,844
<b>TOTAL NET ASSETS</b>	<b>\$ 36,013,519</b>	<b>\$ 20,136,199</b>	<b>\$ 56,149,718</b>	<b>\$ 966,959</b>	<b>\$ 146,356</b>

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 5,122,783	\$ 2,640,812	\$ 5,750	\$ 632,871	\$ (1,843,350)	\$ -	\$ (1,843,350)	
Economic development	247,364	-	4,593	-	(242,771)	-	(242,771)	
Urban development	34,289	-	31,417	-	(2,872)	-	(2,872)	
Public safety: police	8,437,234	126,367	616,979	-	(7,693,888)	-	(7,693,888)	
Public safety: fire	5,655,913	-	685,935	-	(4,969,978)	-	(4,969,978)	
Public works	4,731,927	-	20,930	-	(4,710,997)	-	(4,710,997)	
Health and sanitation	799,015	754,975	-	-	(44,040)	-	(44,040)	
Culture and recreation	1,564,097	63,593	-	31,942	(1,468,562)	-	(1,468,562)	
Airport	709,565	238,547	-	816,039	345,021	-	345,021	
Cemeteries and municipal grounds	1,193,467	102,593	-	-	(1,090,874)	-	(1,090,874)	
Paying agent fees on long-term debt	1,406	-	-	-	(1,406)	-	(1,406)	
Interest on long-term debt	993,044	-	-	-	(993,044)	-	(993,044)	
Total governmental activities	29,490,104	3,926,887	1,365,604	1,480,852	(22,716,761)	-	(22,716,761)	
Business-type activities:								
Water and sewer	4,801,274	4,397,292	174,211	-	-	(229,771)	(229,771)	
Total business-type activities	4,801,274	4,397,292	174,211	-	-	(229,771)	(229,771)	
Total primary government	\$ 34,291,378	\$ 8,324,179	\$ 1,539,815	\$ 1,480,852	(22,716,761)	(229,771)	(22,946,532)	
Component units:								
City Court of Hammond	\$ 1,737,772	\$ 750,060	\$ 929,094	\$ -	-	-	-	\$ (58,618)
Marshall of City Court of Hammond	782,670	204,609	592,235	-	-	-	-	14,174
Total component units	\$ 2,520,442	\$ 954,669	\$ 1,521,329	\$ -	-	-	-	(44,444)
General revenues:								
Taxes:								
Sales taxes					15,745,079	-	15,745,079	-
Ad valorem taxes, levied for general purposes					3,545,872	-	3,545,872	-
Ad valorem taxes, levied for fire and police					792,048	-	792,048	-
Franchise fees					812,114	-	812,114	-
Gaming revenues					743,192	-	743,192	-
Unrestricted investment earnings					35,027	2,537	37,564	11,893
Loss on disposal of capital assets					(60,626)	(47,709)	(108,335)	-
Transfers					(89,830)	89,830	-	-
Total general revenues and transfers					21,522,876	44,658	21,567,534	11,893
Change in net assets					(1,193,885)	(185,113)	(1,378,998)	(32,551)
Net assets - beginning of year (originally stated)					35,549,770	20,321,312	55,871,082	1,156,709
Prior period adjustment					1,657,634	-	1,657,634	(10,843)
Net assets - beginning of year (restated)					37,207,404	20,321,312	57,528,716	1,145,866
Net assets - end of year					\$ 36,013,519	\$ 20,136,199	\$ 56,149,718	\$ 1,113,315

The accompanying notes are an integral part of this statement.

**FUND FINANCIAL STATEMENTS (FFS)**

**CITY OF HAMMOND, LOUISIANA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	General Fund	Sales Tax Fund	Sales Tax '06 Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 74,831	\$ 5,180	\$ 2,226,933	\$ 5,449,823	\$ 7,756,767
Franchise taxes receivable	192,787	-	-	-	192,787
Due from other funds	2,283,009	-	950,000	530,340	3,763,349
Due from other governments	225,068	1,466,710	-	200,704	1,892,482
Other receivables	834	-	-	319,658	320,492
Prepaid insurance	-	-	68,286	-	68,286
Notes receivable	180,000	-	-	388,401	568,401
<b>TOTAL ASSETS</b>	<b>\$ 2,956,529</b>	<b>\$ 1,471,890</b>	<b>\$ 3,245,219</b>	<b>\$ 6,888,926</b>	<b>\$ 14,562,564</b>
<b>LIABILITIES &amp; FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 182,844	\$ -	\$ 28,800	\$ 280,963	\$ 492,607
Due to other funds	1,200,000	1,470,000	-	132,340	2,802,340
Other payables	188,373	-	-	123,515	311,888
Salaries payable	236,537	-	-	-	236,537
Payroll taxes payable	97,688	-	-	-	97,688
Retainage payable	-	-	-	24,090	24,090
Unearned grant income	-	-	-	1,155	1,155
<b>TOTAL LIABILITIES</b>	<b>1,905,442</b>	<b>1,470,000</b>	<b>28,800</b>	<b>562,063</b>	<b>3,966,305</b>
<b>Fund balances:</b>					
Nonspendable amounts					
Not in spendable form	180,000	-	68,286	244,814	493,100
Restricted	65,827	-	2,226,933	2,397,592	4,690,352
Committed	-	1,890	921,200	3,000,887	3,923,977
Assigned	-	-	-	683,570	683,570
Unassigned	805,260	-	-	-	805,260
<b>TOTAL FUND BALANCES</b>	<b>1,051,087</b>	<b>1,890</b>	<b>3,216,419</b>	<b>6,326,863</b>	<b>10,596,259</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,956,529</b>	<b>\$ 1,471,890</b>	<b>\$ 3,245,219</b>	<b>\$ 6,888,926</b>	<b>\$ 14,562,564</b>

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

Total fund balances, Governmental Funds	\$ 10,596,259
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets net of accumulated depreciation at June 30, 2011	52,094,032
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Governmental funds report bond issuance costs as expenditures.  
However, in the Statement of Net Assets, bond issuance costs  
are amortized over the life of the bond and are reported as  
amortization expense. This is the amount of unamortized bond  
issuance costs.

	103,994
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In the Statement of Net Assets, interest is accrued on outstanding  
bonds, whereas in governmental funds, an interest expenditure is  
reported when due.

	(80,580)
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Internal service funds' assets and liabilities (governmental activities)	(1,679)
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Long term liabilities at June 30, 2011

General obligation bonds payable	(22,595,000)
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Other post employment benefits payable	(178,348)
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Accumulated leave payable	<u>(3,925,159)</u>
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Net assets of governmental activities	<u>\$ 36,013,519</u>
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**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Sales Tax Fund	Sales Tax '06 Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 4,988,004	\$ 15,745,079	\$ -	\$ 162,030	\$ 20,895,113
Licenses and permits	1,707,180	-	-	-	1,707,180
Federal grants	-	-	-	1,120,296	1,120,296
State grants	4,918	-	-	145,679	150,597
Cemeteries and municipal grounds	102,593	-	-	-	102,593
Highways and streets	20,930	-	-	-	20,930
Public safety					
Police	34,876	-	-	-	34,876
Fire	328,850	-	-	-	328,850
Gaming revenue	-	-	-	743,192	743,192
Fines and forfeitures	424,824	-	-	-	424,824
Sanitation service fee	754,975	-	-	-	754,975
Court awards	-	-	-	41,398	41,398
State supplemental pay	849,339	-	-	-	849,339
Court witness fee	-	-	-	45,903	45,903
Department of motor vehicles fee	-	-	-	41,895	41,895
Parks and recreation	62,393	-	-	-	62,393
Donations	1,385	-	-	11,229	12,614
Interest	5,040	509	1,542	27,920	35,011
Miscellaneous	498,479	-	532,004	44,197	1,074,680
<b>TOTAL REVENUES</b>	<b>9,783,786</b>	<b>15,745,588</b>	<b>533,546</b>	<b>2,383,739</b>	<b>28,446,659</b>
<b>EXPENDITURES</b>					
General government	3,909,639	-	-	183,214	4,092,853
Public safety					
Police	7,360,648	-	-	158,809	7,519,457
Fire	5,121,965	-	-	28	5,121,993
Buildings	738,808	-	-	12,075	750,883
Highways and streets	2,203,180	-	-	72,635	2,275,815
Economic development	-	-	-	174,986	174,986
Cemeteries and municipal grounds	1,049,054	-	-	-	1,049,054
Urban redevelopment	-	-	-	34,289	34,289
Sanitation	799,015	-	-	-	799,015
Airport	293,185	-	-	37,348	330,533
Parks and recreation	662,655	-	-	614,984	1,277,639
Capital outlay	144,476	-	374,344	3,027,075	3,545,895
Miscellaneous	-	-	-	137,664	137,664
Debt service					
Principal retirement	-	-	-	1,540,000	1,540,000
Paying agent fees	-	-	-	1,406	1,406
Bond insurance expense	-	-	4,552	-	4,552
Interest and charges	-	-	-	1,000,295	1,000,295
<b>TOTAL EXPENDITURES</b>	<b>22,282,625</b>	<b>-</b>	<b>378,896</b>	<b>6,994,808</b>	<b>29,656,329</b>
Excess (deficiency) of revenues over expenditures	(12,498,839)	15,745,588	154,650	(4,611,069)	(1,209,670)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	2,575,000	-	2,575,000
Operating transfers in	13,194,762	-	-	4,918,162	18,112,924
Operating transfers (out)	(1,728,022)	(15,748,688)	(256,000)	(1,483,965)	(19,216,752)
<b>Total other financing sources (uses)</b>	<b>11,466,740</b>	<b>(15,748,688)</b>	<b>2,319,000</b>	<b>3,434,197</b>	<b>1,471,172</b>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(1,032,176)	(3,100)	2,473,650	(1,176,872)	261,502
Fund balances, beginning	2,083,263	4,990	742,769	7,503,735	10,334,757
Fund balances, ending	\$ 1,051,087	\$ 1,890	\$ 3,216,419	\$ 6,326,863	\$ 10,596,259

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ 261,502

Amounts reported for Governmental Activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$3,130,193) exceeded capital outlay (\$2,857,335) in the current period. (272,858)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, donations) is to decrease net assets. (2,635,626)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 1,540,000

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities. (5,336)

Governmental funds report bond issuance costs as expenditures. However, in the Statement of Net Assets, bond issuance costs are allocated over the life of the bond and reported as amortization expense. This is the amount of amortization expense in the current period. (7,690)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the change in accrued interest from the prior year. 7,251

Some expenses reported in the Statement of Activities, such as compensated absences and other post employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (81,128)

Change in Net Assets of Governmental Activities \$ (1,193,885)

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2011**

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 587,826	\$ 86,583
Receivables		
Customers (net of allowance for doubtful accounts of \$50,000)	918,726	-
Due from other governments	405,268	-
Other Receivables	-	14,085
Prepaid Insurance	-	682,177
Total current assets	<u>1,911,820</u>	<u>782,845</u>
<b>RESTRICTED ASSETS</b>		
Customers' deposits		
Cash and cash equivalents	<u>697,142</u>	<u>-</u>
Total restricted assets	<u>697,142</u>	<u>-</u>
<b>CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)</b>	<u>19,999,727</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,608,689</u>	<u>\$ 782,845</u>
<b>CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)</b>		
Accounts payable	\$ 108,348	\$ 7,319
Claims payable	-	476,366
Claims incurred but not reported	-	51,006
Due to other funds	813,009	148,000
Due to other governments	441,043	-
Other payables	-	101,833
Total current liabilities (payable from current assets)	<u>1,362,400</u>	<u>784,524</u>
<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>		
Customers' deposits	<u>696,102</u>	<u>-</u>
Total current liabilities (payable from restricted assets)	<u>696,102</u>	<u>-</u>
<b>LONG-TERM LIABILITIES</b>		
Other post employment benefits payable	21,820	-
Accumulated leave payable	<u>392,168</u>	<u>-</u>
Total long-term liabilities	<u>413,988</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>2,472,490</u>	<u>784,524</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	19,999,727	-
Unrestricted	<u>136,472</u>	<u>(1,679)</u>
<b>TOTAL NET ASSETS</b>	<u>20,136,199</u>	<u>(1,679)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,608,689</u>	<u>\$ 782,845</u>

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities - Enterprise <u>Funds</u>	Governmental Activities - Internal Service <u>Funds</u>
<b>OPERATING REVENUES</b>		
Sewer charges	\$ 2,353,113	\$ -
Water sales	1,179,240	-
Tap-in and reconnect fees	35,304	-
Monthly user fees	551,870	-
Other fees	11,280	-
Insurance charges	-	2,460,140
Insurance reimbursements	-	57,542
Miscellaneous	266,485	2,368
Total operating revenues	<u>4,397,292</u>	<u>2,520,050</u>
<b>OPERATING EXPENSES</b>		
Insurance	-	3,539,400
Personnel services	1,716,718	-
Contractual services, supplies, materials and other	1,509,319	-
Depreciation	1,493,431	-
Amortization of bond issuance cost	2,621	-
Total operating expenses	<u>4,722,089</u>	<u>3,539,400</u>
Operating loss	(324,797)	(1,019,350)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	2,537	16
Miscellaneous expense	(72,129)	-
Federal grant	131,530	-
State grant	42,681	-
Loss on disposal of capital assets	(47,709)	-
Interest expense	(7,056)	-
Total non-operating revenues (expenses)	<u>49,854</u>	<u>16</u>
Loss before operating transfers	(274,943)	(1,019,334)
<b>TRANSFERS IN</b>	1,848,345	1,013,998
<b>TRANSFERS OUT</b>	(1,758,515)	-
Total operating transfers	<u>89,830</u>	<u>1,013,998</u>
Change in net assets	(185,113)	(5,336)
Total net assets - beginning of year	20,321,312	3,657
<b>TOTAL NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 20,136,199</u>	<u>\$ (1,679)</u>

The accompanying notes are an integral part of this statement.

# CITY OF HAMMOND, LOUISIANA

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 4,680,638	\$ 2,460,140
Payments to suppliers	(1,804,297)	(3,518,838)
Payments to employees	(1,701,930)	-
Receipts from claim settlements	-	59,910
Payments to other funds	<u>(216,329)</u>	<u>-</u>
Net cash provided by (used in) operating activities	958,082	(998,788)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal paid on capital debt	(515,000)	-
Purchases of capital assets	(184,224)	-
Loss on disposal of capital assets	(47,709)	-
Interest paid	(7,056)	-
Miscellaneous expenses	(98,088)	-
Receipts from grants	174,211	-
Operating transfers out	(1,758,515)	-
Operating transfers in	<u>1,848,345</u>	<u>1,013,998</u>
Net cash provided by (used in) capital and related financing activities	(588,036)	1,013,998
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest and dividends received	<u>2,537</u>	<u>16</u>
Net cash provided by investing activities	<u>2,537</u>	<u>16</u>
Net increase in cash and cash equivalents	372,583	15,226
Cash and cash equivalents, beginning	<u>912,385</u>	<u>71,357</u>
Cash and cash equivalents, ending	<u>\$ 1,284,968</u>	<u>\$ 86,583</u>

The accompanying notes are an integral part of this statement.

# CITY OF HAMMOND, LOUISIANA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (324,797)	\$ (1,019,350)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,493,431	-
(Increase) decrease in accounts receivable	204,079	-
(Increase) decrease in other assets	2,621	(14,085)
(Increase) decrease in prepaid insurance	-	(150,991)
(Increase) decrease in due from other funds	-	13,243
(Increase) decrease in due from other governments	(263,541)	-
Increase (decrease) in accounts payable	(31,162)	(335)
Increase (decrease) in customer deposits	67,502	-
Increase (decrease) in due to other governments	11,765	-
Increase (decrease) in due to other funds	(216,329)	123,000
Increase (decrease) in accumulated leave	11,375	-
Increase (decrease) in other payables	(275)	19,304
Increase (decrease) in claims payable	-	30,426
Increase (decrease) in other post employment benefits payable	3,413	-
Total adjustments	1,282,879	20,562
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 \$ 958,082	 \$ (998,788)

The accompanying notes are an integral part of this statement.

**CITY OF HAMMOND, LOUISIANA**  
**COMPONENT UNITS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2011**

	<u>Marshal's Office City Court of Hammond</u>	<u>City Court of Hammond</u>
<b>ASSETS:</b>		
Cash on hand and in banks	\$ 17,668	\$ 381,021
<b>TOTAL ASSETS</b>	<b>17,668</b>	<b>381,021</b>
<b>LIABILITIES:</b>		
Internal balances	17,668	381,021
<b>TOTAL LIABILITIES</b>	<b>17,668</b>	<b>381,021</b>
<b>NET ASSETS</b>	<b>-</b>	<b>-</b>
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>

*The accompanying notes are an integral part of this statement.*

## **CITY OF HAMMOND, LOUISIANA**

### **NOTES TO FINANCIAL STATEMENTS**

*As of and for the Year Ended June 30, 2011*

#### **INTRODUCTION:**

On April 15, 1977, the United States District Court for the Eastern District of Louisiana ordered and decreed that the City of Hammond (the City) shall institute the proposed Home Rule Charter dated April 11, 1977. The City operates under a Mayor-Council form of government.

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### **A. REPORTING ENTITY:**

As the municipal governing authority, the City of Hammond is considered a separate entity for reporting purposes. The financial reporting entity consists of (a) the Primary Government (City of Hammond), (b) organizations for which the Primary Government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the City of Hammond for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and has either
  - a. The ability of the municipality to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**A. REPORTING ENTITY: (Continued)**

Based on the previous criteria, the City of Hammond has determined that the following component units are part of the reporting entity:

<u>Component Unit</u>	<u>Year End</u>	<u>Criteria Used</u>
City Court	June 30, 2011	2
Marshal of City Court	June 30, 2011	2
Hammond Downtown Development District	June 30, 2011	1

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hammond (the primary government) and its component units.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the City's operations. The City has one blended component unit which is reported as if it were part of or blended with the City's operations. The Hammond Downtown Development District (the District) was created to formulate and implement a redevelopment plan for the central business district of the City. The City's governing authority appoints the District's board members and approves the redevelopment plan. The District is reported as a Special Revenue Fund of the City. No separate financial statements for the District have been issued.

Discretely Presented Component Units

Component units that are legally separate from the City, but are financially accountable to the City or whose relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, are discretely presented. The Component Unit columns of the combined financial statements include the financial data of the discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the City.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**A. REPORTING ENTITY: (Continued)**

Discretely Presented Component Units (Continued)

Funding for the following state constitutionally defined agencies is included in the City's General Fund. These agencies, however, have certain statutorily defined sources of funds for their own operating and/or capital budget discretion. These funds have been discretely presented in the City's financial statements:

City Court of Hammond - The Judge of the Court is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the City Court in that the City is required to provide the City Court office facilities. In addition, the City assists in funding the operations of the Court. The City's financial statements discretely present the City Court of Hammond's financial statements for the year ended June 30, 2011.

Marshal of City Court of Hammond - The Marshal is an elected official provided by the Louisiana State Constitution. Fiscal interdependency exists between the City and the Marshal in that the City is required to provide the Marshal's office facilities. In addition, the City assists in funding the operations of the Marshal's office. The City's financial statements discretely present the Marshal's financial statements for the year ended June 30, 2011.

Related Organizations

The Hammond Section 8 Housing Authority (the Authority) is a legally separate government entity formed to administer housing programs funded by the U.S. Department of Housing and Urban Development (HUD). The City's governing authority appoints a majority of the Authority's members; however, there is no financial relationship between the Authority and the City. This organization is not a component unit of the City's reporting entity. It is classified as a related organization. The City's accountability does not extend beyond making the appointments.

The Hammond Mortgage Finance Authority is a non-profit corporation established pursuant to State Statutes to finance debt for various public purposes within Tangipahoa Parish. The City Council appoints the board members of the agency. The agency is fiscally independent from the City, issues its own debt, approves its budgets, and sets its rates and charges. The City has no authority to remove board members, designate management, or approve or modify rates. The City is not obligated in any manner for the debt issues of this agency. This agency is classified as a related organization.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**A. REPORTING ENTITY: (Continued)**

Related Organizations (Continued)

Complete financial statements for each of the City of Hammond's component units and related organizations can be obtained at the Office of the Legislative Auditor of the State of Louisiana; 1600 North Third Street, P.O. Box 94397, Baton Rouge, LA 70804-9397, or at each of the agency's administrative offices.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

In accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, included in the City's Annual Financial Report are the Management Discussion and Analysis (MD&A), government-wide financial statements which include the Statement of Net Assets and the Statement of Activities and fund financial statements which include the Balance Sheet, Reconciliation of the Balance Sheet to the Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Balances and Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.

The Statement of Net Assets and the Statement of Activities include the governmental and business-type activities of the City and also the component units for which the City is financially accountable. These government-wide statements for the governmental activities begin with the governmental funds financial statements balances and are adjusted to incorporate the City's capital assets, long-term debt and internal service funds. These adjustments are detailed in the financial statements in the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets and the Reconciliation of the Governmental Funds Changes in Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities. For the most part, the effect of interfund activity has been removed from the government-wide statements. The Statement of Activities presents financial information in a manner that shows the income and expenses generated by each individual governmental function or unit. Taxes are reported as general revenues along with other items that cannot be properly included in program revenues.

Fund financial statements report major individual governmental funds in a separate column. Separate financial statements are provided for governmental funds, proprietary funds and component units.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:  
(Continued)**

Governmental funds are used to account for the majority of government's general activities, including the collection and disbursement of earmarked monies, (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds account for assets held in a trustee or agency capacity on behalf of others. The City has no fiduciary funds except those employed by its component units.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL  
STATEMENT PRESENTATION:**

Government-Wide Financial Statements:

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interest income and intergovernmental revenues derived from providing services to entities outside the primary government. Elimination of these charges would distort the direct costs and program revenues reported for various functions concerned.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Government-Wide Financial Statements: (Continued)

Amounts reported as program revenues include:

1. Charges to customers or applicants for goods, services or privileges provided,
2. Operating grants and contributions and
3. Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers ad valorem (property) taxes revenue in the year for which they are levied. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are franchise taxes, licenses, fines, interest revenue and charges for services. In accordance with GASB Statement No. 22, sales taxes collected and held by merchants and the intermediary collecting governments at year end on behalf of the City are recognized as revenue. Permits are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Fund Financial Statements: (Continued)

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the City has elected not to apply pronouncements other than those issued by GASB after November 30, 1989.

The City government reports the following major governmental funds:

- General Fund – the General Fund is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.
- Sales Tax Fund – the Sales Tax Fund is used to account for sales and use tax collected and its subsequent disbursement in accordance with sales tax dedication.
- Sales Tax '06 Bond Construction Fund – the Sales Tax '06 Bond Construction Fund is used to account for the proceeds of bonds that were issued primarily to provide infrastructure support for the renovation of the Hammond Square Mall.

The City government reports the following major proprietary fund:

- Water and Sewer Fund – the Water and Sewer Fund is used to account for the provisions of water and sewer services to residents of the City and certain residents outside of City limits. The fund also accounts for the maintenance of the water and sewer system, including capital outlay for the system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Fund Financial Statements: (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include personnel services, contractual services, supplies, materials, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The reporting focus of fiduciary funds is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not available to support City programs.

Budgets:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By May 15, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at council meetings to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance.
4. Only the City Council is authorized to transfer budgeted amounts between departments within any fund or revise the total expenditures of any fund.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Budgets: (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds, except those Special Revenue Funds established to account for a particular grant. Such grant funds are budgeted over the life of the grant and not necessarily on an annual basis.
6. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.
7. All budgetary appropriations lapse at the end of each fiscal year.
8. Those budgets which the City adopts are on a basis consistent with accounting principles generally accepted in the United States of America as applied to governmental units.

Budgetary data for the discretely presented component units are not presented in these financial statements.

Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee related costs when earned by the employee. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported in the governmental funds financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability. In the government-wide financial statements, the entire compensated absence liability is reported.

Substantially all employees of the City government earn from one week to four weeks of annual leave each year depending on length of service. Each year any unused annual leave may be accumulated up to a maximum of 280 hours. Upon termination, an employee shall be paid a value of his accrued annual leave up to 280 hours.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Compensated Absences: (Continued)

All employees except Fire and Police earn 12 days a year of sick leave regardless of the length of service. Each employee of the Police Department and every Fireman in the employ of a municipality in accordance with civil service requirements are given, with full pay, a sick leave aggregating not less than fifty-two weeks during any calendar year when the conditions actually warrant. Each year any unused sick leave may accumulate. Upon retirement an employee shall be paid up to 1,440 hours of accrued sick leave. Upon termination, an employee is not paid for accrued sick leave.

Sales and Use Tax:

The City of Hammond has a two percent sales and use tax. The Tangipahoa Parish School Board is authorized to collect and remit this tax to the City for a stipulated fee. The City's sales tax ordinances provide that the proceeds can be used for general governmental operations of the City.

Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond payables are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Restricted Assets:

Included in restricted assets of the governmental activities in the Statement of Net Assets are:

1) The "Capital Project Fund", which is used to segregate those resources accumulated through sale of bond or state financing to be used for capital projects, and 2) the "Debt Service Fund" account, which is used to pay principal and interest on the City's general obligation bonds and certificates of indebtedness.

Included in restricted assets of the business type activities in the Statement of Net Assets are:

1) the "Customers' Deposits" account, which is used to segregate water meter deposits used to pay any outstanding water bills when customers discontinue service, and 2) the "Debt Service Fund" account, which is used to pay the principal and interest payments on the City's revenue bonds.

Governmental Fund Balances:

On July 1, 2010, the City adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental type funds.

In the governmental fund financial statements, fund balances are classified as follows:

- 1) Non-Spendable Fund Balances – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- 2) Restricted Fund Balance – amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.
- 3) Committed Fund Balance – amounts that can be used only for specific purposes determine by a formal action by City Council ordinance or resolution.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Governmental Fund Balances: (Continued)

- 4) Assigned Fund Balance – amounts that are constrained by the City's intent that they will be used for specific purposes.
- 5) Unassigned Fund Balance – all amounts not included in the other spendable classifications.

The City considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The City also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

Allowance For Doubtful Accounts:

The City has established an allowance for doubtful accounts for write-off of delinquent accounts. The City's allowance is based on management's best estimate of uncollectible amounts. The allowance for doubtful accounts at June 30, 2011 is \$50,000.

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and money market accounts.

Advance To/From Other Funds:

Non-current portions of long-term interfund loans on receivables are reported as advances.

Short-Term Interfund Receivables/Payables:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due to or from other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables or payables or due to or from other funds.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items in the government-wide financial statements and fund financial statements.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 for equipment, \$100,000 for water and sewer infrastructure, \$250,000 for general infrastructure, and \$50,000 for buildings. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred by the City during the current fiscal year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

	<u>Life</u>
Building	10-40 years
Lines and mains	20-50 years
Equipment and vehicles	5-20 years
Infrastructure	20-40 years

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Intangible Assets:

During the year ended June 30, 2011, the City implemented Governmental Accounting Standards Board Statement (GASB) No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement requires governments to classify certain intangible assets as capital assets. GASB No. 51 clarifies that intangible assets are those which lack physical substance, are nonfinancial in nature, and have useful lives extending beyond a single reporting period. However, goodwill, assets obtained through capital leases, and assets that are used to obtain income or generate profit are excluded from its scope. All existing GAAP for capital assets – for recognition, measurement, depreciation (called amortization in this case), and disclosure – apply to intangible assets that fall within the scope of GASB No. 51. The City established a policy to capitalize any intangible assets, as defined by GASB No. 51, which exceed the capitalization thresholds discussed in the "Capital Assets" section earlier. Implementation of GASB No. 51 did not have a material effect on the financial statements of the City.

Interfund Transactions:

On fund financial statements, long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (Continued)**

Use of Estimates:

The City uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that are used.

**2. AD VALOREM TAXES:**

Ad Valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City during the year and are billed to taxpayers in November. Billed taxes become delinquent on March 1 of the following year. Revenues from Ad Valorem taxes are budgeted in the year billed and recognized as revenue when received. The City bills and collects its own property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish.

The City is permitted by state law to levy taxes up to 9.04 mills of assessed valuation for general operating purposes. In addition, voters renewed a ten-year millage in 2008 of two (2) mills to be used for public improvements upkeep. The total is for general government services. No assessment was required for payment of long-term debt. On October 2, 2010, the voters of the City renewed a ten (10) mill property tax for a period of ten (10) years, beginning with the year 2011, for the purpose of operating, maintaining and acquiring police and fire protection services, facilities and equipment and paying Police and Fire Department salaries.

For the year ended June 30, 2011, taxes of 21.04 mills were levied on property with assessed valuations totaling \$198,805,608. The total tax levied was \$4,182,869. Tax collections for the year ended June 30, 2011 were 99% of the tax levy.

The Hammond Downtown Development District (the District) is permitted by state law to levy taxes up to fifteen (15) mills on all property subject to taxation by the District for the purpose of constructing, acquiring, operating or maintaining public facilities contemplated by the redevelopment plan and for the operating expenses of the District.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS:**

**A. Primary Government**

Cash and cash equivalents include amounts in demand deposits and interest bearing demand deposits. Under state law, the City may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

The primary government had no long-term investments as of June 30, 2011. All monies are invested in short term cash equivalents.

At June 30, 2011, the City of Hammond had cash (book balances) totaling \$9,128,318, as follows:

Governmental Funds:	
Petty cash	\$ 1,100
Demand deposits	4,341
Interest bearing demand deposits	<u>7,751,326</u>
	7,756,767
Proprietary Funds:	
Enterprise Fund	
Interest bearing demand deposit	1,284,968
Internal Service Fund	
Interest bearing demand deposit	66,524
Cash with agent	<u>20,059</u>
	1,371,551
Total	<u>\$ 9,128,318</u>

These deposits are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2011, the City of Hammond had \$9,869,464 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)**

**B. Custodial Credit Risk**

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposit or collateral securities that are in the possession of an outside party. The City's bank balance of \$9,869,464 at June 30, 2011 is secured by pledged collateral held in joint custody. The City has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

**C. Discretely Presented Component Units**

The discretely presented component units are required to invest funds within the same state statutes as the primary government. Component unit deposits (including demand deposit accounts and certificates of deposit) at June 30, 2011, are as follows:

City Court of Hammond

The City Court of Hammond reported on the government-wide financial statements cash and cash equivalents in the amount of \$150,994 in deposits (book balances), of which \$69,322 is restricted, at June 30, 2011. Total cash (book balances) from fiduciary responsibilities was \$380,701 at June 30, 2011. The City Court of Hammond reported on the government-wide financial statements investments (book balance) of \$782,929, of which \$126,256 is restricted, at June 30, 2011. Bank balances at June 30, 2011 totaled \$1,318,411 of which \$1,147,703 was insured by FDIC Insurance and \$170,708 was collateralized with investments held by pledging bank's trust department not in the City Court's name.

Certificates of deposit with a maturity of 90 days or more are classified on the government-wide financial statements, fund financial statements and statement of fiduciary net assets as "Investments".

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS: (Continued)**

**C. Discretely Presented Component Units (Continued)**

City Court of Hammond (Continued)

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The City Court does not have a deposit policy for custodial risk. At June 30, 2011, \$170,708 was exposed to custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk under the provision of GASB Statement 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the governmental entity that the fiscal agent has failed to pay deposited funds upon demand.

At June 30, 2011, the City Court was in compliance with state law, which requires any uninsured cash balances with the fiscal agent bank to be adequately collateralized by a pledge of securities.

Marshal of the City Court of Hammond

At June 30, 2011, the Marshal's Office reported on the government-wide financial statements cash and cash equivalents (book balances) in the amount of \$130,174. Total cash (book balances) from fiduciary responsibilities not reported on the government-wide financial statements was \$17,668 at June 30, 2011. The bank balances at June 30, 2011 totaled \$183,297, all of which was insured by FDIC Insurance.

**Custodial credit risk – Deposits.** Custodial credit risk is defined as the risk that, in the event of a bank failure, the entity's deposits and collateral securities that are in the possession of an outside party may not be recovered. The Marshall's Office is not exposed to custodial credit risk at June 30, 2011. The Marshal's Office has no formal policy regarding custodial credit risk.

Deposits collateralized by pledged securities are considered to be exposed to credit risk (Category 3), under the provision of GASB Statement No. 40. However, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Marshal's Office that the fiscal agent has failed to pay deposited funds upon demand.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**4. RECEIVABLES:**

Receivables at June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds			Proprietary Funds		Total	Total	Reporting
	General	Other Governmental Funds	Total	Enterprise	Internal Service	Primary Government	Component Units	Entity
Receivables:								
Taxes:								
Ad valorem	\$ 104,645	\$ -	\$ 104,645	\$ -	\$ -	\$ 104,645	\$ -	\$ 104,645
Franchise	192,787	-	192,787	-	-	192,787	-	192,787
Notes receivables	180,000	388,401	568,401	-	-	568,401	-	568,401
Accounts receivables	-	-	-	968,726	14,085	982,811	-	982,811
Other receivables	834	319,658	320,492	-	-	320,492	1,574	322,066
Gross receivables	478,266	708,059	1,186,325	968,726	14,085	2,169,136	1,574	2,170,710
Less: Allowance for uncollectibles	(104,645)	-	(104,645)	(50,000)	-	(154,645)	-	(154,645)
Net Receivables	\$ 373,621	\$ 708,059	\$ 1,081,680	\$ 918,726	\$ 14,085	\$ 2,014,491	\$ 1,574	\$ 2,016,065

**5. INTERFUND RECEIVABLES, PAYABLES, TRANSFERS IN, TRANSFERS OUT:**

	Interfund Receivables	Interfund Payables
Governmental Funds:		
General fund	\$ 2,283,009	\$ 1,200,000
Sales tax fund	-	1,470,000
Sales tax '06 bond construction fund	950,000	-
Other governmental funds	530,340	132,340
Total Governmental Funds	3,763,349	2,802,340
Proprietary Funds:		
Enterprise fund	-	813,009
Internal service fund	-	148,000
Total Proprietary Funds	-	961,009
Total Primary Government	\$ 3,763,349	\$ 3,763,349
Governmental Funds:	Transfers In	Transfers Out
General fund	\$ 13,194,762	\$ 1,728,099
Sales tax fund	-	15,748,688
Sales tax '06 bond construction fund	-	256,000
Other governmental funds	4,918,162	1,483,965
Total Governmental Funds	18,112,924	19,216,752
Proprietary Funds:		
Enterprise fund	1,848,345	1,758,515
Internal service fund	1,013,998	-
Total Proprietary Funds	2,862,343	1,758,515
Total Primary Government	\$ 20,975,267	\$ 20,975,267

The principal purpose of transfers between funds is to fund expenditures associated with those funds.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**6. DUE FROM OTHER GOVERNMENTS:**

	Governmental Funds			Proprietary Fund	Total Primary Government	Component Units	Total Reporting Entity
	General	Sales Tax	Other Governmental Fund	Enterprise Fund			
State of Louisiana:							
Beer tax	\$ 8,244	\$ -	\$ -	\$ -	\$ 8,244	\$ -	\$ 8,244
State Grants	4,918	-	77,254	360,545	442,717	25,056	467,773
Tangipahoa Parish Council	-	-	-	-	-	6,941	6,941
Tangipahoa Parish Council	64,945	-	-	-	64,945	-	64,945
Fire Insurance Tax							
Tangipahoa Parish Rural							
Fire District #1	62,500	-	-	-	62,500	-	62,500
Tangipahoa Parish School							
Board - sales tax	-	1,466,710	-	-	1,466,710	-	1,466,710
21st Judicial District Court							
FINS Program	-	-	-	-	-	-	-
Tangipahoa Parish Government	-	-	-	-	-	4,358	4,358
City Court of Hammond	36,653	-	-	-	36,653	18,955	55,608
City of Hammond	-	-	-	-	-	5,374	5,374
Federal Grants	39,351	-	123,450	44,723	207,524	-	207,524
Hammond Airport	8,457	-	-	-	8,457	-	8,457
Total	<u>\$ 225,068</u>	<u>\$ 1,466,710</u>	<u>\$ 200,704</u>	<u>\$ 405,268</u>	<u>\$ 2,297,750</u>	<u>\$ 60,684</u>	<u>\$ 2,358,434</u>

**7. CAPITAL ASSETS:**

**A. Governmental Funds:**

The following is a summary of governmental fund-type capital assets at June 30, 2011.

	Balance 7/01/2010	Prior Period Adjustment	Balance 7/01/2010 (restated)	Additions	Deletions	Completed Construction	Balance 6/30/2011
<b>Governmental Activities:</b>							
Capital assets not being depreciated:							
Land	\$ 6,468,058	\$ -	\$ 6,468,058	\$ 76,284	\$ (2,576,584)	\$ -	\$ 3,967,758
Construction in progress	326,275	-	326,275	1,884,758	-	(1,668,278)	542,755
Total capital assets not being depreciated	6,794,333	-	6,794,333	1,961,042	(2,576,584)	(1,668,278)	4,510,513
Capital assets being depreciated:							
Building	9,388,976	-	9,388,976	-	-	-	9,388,976
Vehicles	6,276,870	-	6,276,870	660,072	(433,198)	-	6,503,744
Equipment	5,599,553	-	5,599,553	236,221	(2,820)	-	5,832,954
Infrastructure	43,415,296	1,675,083	45,090,379	-	-	1,668,278	46,758,657
Total capital assets being depreciated	64,680,695	1,675,083	66,355,778	896,293	(436,018)	1,668,278	68,484,331
Less accumulated depreciation	(18,130,146)	(17,449)	(18,147,595)	(3,130,193)	376,976	-	(20,900,812)
Total capital assets being depreciated, net	46,550,549	1,657,634	48,208,183	(2,233,900)	(59,042)	1,668,278	47,583,519
Governmental activities capital assets, net	<u>\$53,344,882</u>	<u>\$ 1,657,634</u>	<u>\$ 55,002,516</u>	<u>\$ (272,858)</u>	<u>\$ (2,635,626)</u>	<u>\$ -</u>	<u>\$52,094,032</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**7. CAPITAL ASSETS: (Continued)**

**A. Governmental Funds: (Continued)**

Depreciation expense was charged to functions as follows:

General government	\$ 200,720
Public safety:	
Police	507,509
Fire	263,196
Culture and recreation	169,484
Building	24,715
Grounds	57,525
Airport	308,261
Streets	1,533,537
Economic development	65,246
Total governmental activities depreciation expense	<u>\$ 3,130,193</u>

The following is a summary of capital assets of the Component Units at June 30, 2011:

	Balance 7/1/2010	Additions	Deletions	Changes in Accumulated Depreciation	Balance 6/30/2011
City Court of Hammond	\$ 91,750	\$ 5,047	\$ (7,207)	\$ (24,539)	\$ 65,051
Marshal of City Court of Hammond	79,156	-	-	(30,631)	48,525
Total Component Units	<u>\$ 170,906</u>	<u>\$ 5,047</u>	<u>\$ (7,207)</u>	<u>\$ (55,170)</u>	<u>\$ 113,576</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
As of and for the Year Ended June 30, 2011

**7. CAPITAL ASSETS: (Continued)**

**B. Proprietary Fund:**

The following is a summary of proprietary fund-type capital assets at June 30, 2011:

	Balance 7/1/2010	Additions	Deletions	Completed Construction	Balance 6/30/2011
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 158,047	\$ -	\$ -	\$ -	\$ 158,047
Construction in progress	635,225	118,758	-	-	753,983
Total capital assets not being depreciated	793,272	118,758	-	-	912,030
 Capital assets being depreciated:					
Water:					
Buildings	471,681	-	-	-	471,681
Equipment	694,160	18,821	-	-	712,981
Vehicles	691,264	53,915	(18,645)	-	726,534
Lines and Mains	5,955,166	-	-	-	5,955,166
Sewer:					
Buildings	88,718	-	-	-	88,718
Equipment	806,696	4,340	-	-	811,036
Vehicles	309,162	84,800	-	-	393,962
Lines and Mains	30,853,161	-	(123,384)	-	30,729,777
Total capital assets being depreciated	39,870,008	161,876	(142,029)	-	39,889,855
Less: accumulated depreciation	(19,354,346)	(1,493,431)	45,619	-	(20,802,158)
Total capital assets being depreciated, net	20,515,662	(1,331,555)	(96,410)	-	19,087,697
Business-type activities capital assets, net	\$ 21,308,934	\$ (1,212,797)	\$ (96,410)	\$ -	\$ 19,999,727

Depreciation expense was as follows:

Business-type activities:

Water	\$ 251,905
Sewer	1,241,526
Total business-type activities depreciation expense	<u>\$ 1,493,431</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**8. RESTRICTED ASSETS:**

Restricted assets for the City were applicable to the following at June 30, 2011:

Governmental Activities:

Unexpended Bond Proceeds	\$ 2,309,317
Bond Sinking Fund	<u>1,899,030</u>
Total	<u>\$ 4,208,347</u>

Business-type Activities:

Meter Deposit Accounts	\$ 697,142
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Component Units:

City Court of Hammond -- Judicial Building Fund	\$ 195,578
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**9. GENERAL LONG-TERM DEBT OBLIGATIONS:**

The following is a summary of general long-term debt transactions for the year ended June 30, 2011.

	<u>Outstanding 7/1/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2011</u>	<u>Amounts Due Within One Year</u>
<b>Government Funds:</b>					
General obligation bonds	\$ 23,795,000	\$ -	\$ 1,200,000	\$22,595,000	\$ 1,255,000
Certificates of indebtedness	340,000	-	340,000	-	-
Accumulated leave	<u>3,877,678</u>	<u>47,481</u>	<u>-</u>	<u>3,925,159</u>	<u>-</u>
Total Governmental Funds	<u>\$ 28,012,678</u>	<u>\$ 47,481</u>	<u>\$ 1,540,000</u>	<u>\$26,520,159</u>	<u>\$ 1,255,000</u>
<b>Proprietary Funds:</b>					
Bonds payable	\$ 515,000	\$ -	\$ 515,000	\$ -	\$ -
Accumulated leave	<u>380,793</u>	<u>11,375</u>	<u>-</u>	<u>392,168</u>	<u>-</u>
Total Proprietary Funds	<u>\$ 895,793</u>	<u>\$ 11,375</u>	<u>\$ 515,000</u>	<u>\$ 392,168</u>	<u>\$ -</u>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Governmental Funds:

The following is a summary of the bonds of the City at June 30, 2011:

General Obligation Bonds:

<p>\$6,000,000 2002 Sales Tax Bonds, Series 2002, due in annual installments of principal and semi-annual installments of interest through December 1, 2022; interest on \$305,000 at 5.5%, on \$325,000 at 5.5%, on \$340,000 at 4%, on \$360,000 at 4%, on \$375,000 at 4.125%, on \$395,000 at 4.375%, on \$415,000 at 4.4%, on \$440,000 at 4.5%, on \$460,000 at 4.6%, on \$485,000 at 4.65%, on \$510,000 at 4.7%, and on \$535,000 at 4.75%.</p>	<p><b>\$ 4,945,000</b></p>
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<p>\$5,000,000 Sales Tax Bonds, Series 2005, due in annual installments of principal starting December 1, 2007, and semi-annual installments of interest starting December 1, 2005, through December 1, 2019; interest on \$350,000 at 3.5%, on \$365,000 at 3.5%, on \$385,000 at 3.5%, on \$400,000 at 4%, on \$420,000 at 4%, on \$435,000 at 4%, on \$455,000 at 4.5%, on \$465,000 at 4.5%, and on \$490,000 at 4.5%.</p>	<p><b>3,765,000</b></p>
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<p>\$15,000,000 Sales Tax Bonds, Series 2006, due in annual installments of principal starting December 1, 2009, and semi-annual installments of interest starting December 1, 2007, through December 1, 2026; interest on \$600,000 at 4%, on \$625,000 at 5.25%, on \$655,000 at 4%, on \$690,000 at 4%, on \$720,000 at 5.25%, on \$755,000 at 4%, on \$790,000 at 4%, on \$830,000 at 4%, on \$870,000 at 4%, on \$910,000 at 4.125%, on \$955,000 at 4.125%, on \$1,000,000 at 4.25%, on \$1,045,000 at 4.25%, on \$1,095,000 at 4.25%, on \$1,145,000 at 4.25%, and \$1,200,000 at 4.25%.</p>	<p><u><b>13,885,000</b></u></p>
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<p><b>Total General Obligation Bonds Payable</b></p>	<p><u><b>\$ 22,595,000</b></u></p>
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**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Governmental Funds: (Continued)

General Obligation Bonds: (Continued)

A combined schedule of the outstanding Sales Tax Series 2002, Sales Tax Series 2005 and Sales Tax Series 2006 bonds and the interest and principal requirements by dates is as follows:

DUE DATE	Sales Tax Series 2002		Sales Tax Series 2005		Sales Tax Series 2006		TOTALS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
December 1, 2011	\$ 305,000	\$ 113,278	\$ 350,000	\$ 76,075	\$ 600,000	\$ 294,128	\$ 1,738,481
June 1, 2012	-	104,890	-	69,950	-	282,128	456,968
December 1, 2012	325,000	104,890	365,000	69,950	625,000	282,128	1,771,968
June 1, 2013	-	95,953	-	63,562	-	265,722	425,237
December 1, 2013	340,000	95,953	385,000	63,562	655,000	265,722	1,805,237
June 1, 2014	-	89,153	-	56,825	-	252,622	398,600
December 1, 2014	360,000	89,153	400,000	56,825	690,000	252,622	1,848,600
June 1, 2015	-	81,953	-	48,825	-	238,822	369,600
December 1, 2015	375,000	81,953	420,000	48,825	720,000	238,822	1,884,600
June 1, 2016	-	74,218	-	40,425	-	219,922	334,565
December 1, 2016	395,000	74,218	435,000	40,425	755,000	219,922	1,919,565
June 1, 2017	-	65,578	-	31,725	-	204,822	302,125
December 1, 2017	415,000	65,578	455,000	31,725	790,000	204,822	1,962,125
June 1, 2018	-	56,448	-	21,488	-	189,022	266,958
December 1, 2018	440,000	56,448	465,000	21,488	830,000	189,022	2,001,958
June 1, 2019	-	46,548	-	11,025	-	172,422	229,995
December 1, 2019	460,000	46,548	490,000	11,025	870,000	172,422	2,049,995
June 1, 2020	-	35,968	-	-	-	155,022	190,990
December 1, 2020	485,000	35,968	-	-	910,000	155,022	1,585,990
June 1, 2021	-	24,691	-	-	-	136,253	160,944
December 1, 2021	510,000	24,691	-	-	955,000	136,253	1,625,944
June 1, 2022	-	12,706	-	-	-	116,556	129,262
December 1, 2022	535,000	12,706	-	-	1,000,000	116,556	1,664,262
June 1, 2023	-	-	-	-	-	95,306	95,306
December 1, 2023	-	-	-	-	1,045,000	95,306	1,140,306
June 1, 2024	-	-	-	-	-	73,100	73,100
December 1, 2024	-	-	-	-	1,095,000	73,100	1,168,100
June 1, 2025	-	-	-	-	-	49,832	49,832
December 1, 2025	-	-	-	-	1,145,000	49,832	1,194,832
June 1, 2026	-	-	-	-	-	25,500	25,500
December 1, 2026	-	-	-	-	1,200,000	25,500	1,225,500
<b>TOTAL</b>	<b>\$4,945,000</b>	<b>\$ 1,489,490</b>	<b>\$ 3,765,000</b>	<b>\$ 763,725</b>	<b>\$13,885,000</b>	<b>\$ 5,248,230</b>	<b>\$30,096,445</b>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Governmental Funds: (Continued)

General Obligation Bonds: (Continued)

The Sales Tax Series 2002, Sales Tax Series 2005 and Sales Tax Series 2006 Bond Indentures provide that all revenues of the Sales Tax Fund are pledged for purposes in the following order of priority:

- a. Reasonable and necessary expenses of collecting the tax;
- b. Payments into the Sales Tax Bond Sinking Fund for each issue of the amount required to pay maturing bonds and coupons, such payments to be made in equal monthly installments;
- c. Payments into the Sales Tax Bond Reserve Fund for each issue for a specified amount per month until the fund reaches an amount equal to the highest future annual principal and interest requirements for any succeeding calendar year;
- d. All revenues not required for the above payments shall be regarded as surplus and may be used by the City for any of the purposes for which the imposition of the tax is authorized or for the purpose of retiring future bonds.

Accumulated Leave

At June 30, 2011, employees of the City have accumulated and vested \$3,925,159 of leave benefits for all governmental funds.

Proprietary Fund Types:

Accumulated Leave

At June 30, 2011, employees of the City who work in the Water and Sewer Departments have accumulated and vested \$392,168 of leave benefits for the proprietary funds.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**9. GENERAL LONG-TERM DEBT OBLIGATIONS: (Continued)**

Proprietary Fund Types: (Continued)

Due to Other Governments

The City received Utility Relocation Assistance Funding from the State of Louisiana Department of Transportation and Development in order to relocate certain utility lines throughout the City. This funding is not considered a loan or a grant and no interest is charged; however, it must be repaid to the State. The total amount originally due to the State was \$490,276 of which ten percent of the remaining balance is due annually. No payment was made by the City during the year ended June 30, 2011. The balance due at June 30, 2011 is \$401,248 and is included on the Statement of Net Assets in Due to Other Governments.

In addition, the City also owes the State and local governmental districts \$39,795 as of June 30, 2011.

**10. METER DEPOSITS:**

Meter deposits are paid by customers upon application for utility services and are refundable to them upon termination of service. Receipts from meter deposits are deposited in a meter deposit account and refunds of deposits on termination of service are made from the same account.

The City has restricted cash and cash equivalents of the Meter Deposit Fund specifically for meter deposits. At June 30, 2011, meter deposits amounted to \$696,102 and the balance of cash and cash equivalents in the Meter Deposit Fund totaled \$697,142.

**11. PENSION PLANS:**

The City of Hammond contributes to the Municipal Employees' Retirement System of Louisiana, the Firefighters' Retirement System of Louisiana and the Municipal Police Employees' Retirement System of Louisiana. The City's payroll for employees covered by the retirement systems for the year ended June 30, 2011 was \$13,011,411.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**II. PENSION PLANS: (Continued)**

**A. Municipal Employees' Retirement System**

Plan Description - The City contributes to Plan A of the Municipal Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 356 of the 1954 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:1731 through 11:1866, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 9.25% of their earnable compensation, and the City is required to contribute at an actuarially determined rate. The current rate is 14.25% of earnable compensation. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Municipal Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2009	\$ 449,098	132.06%
June 30, 2010	606,085	101.30%
June 30, 2011	698,653	90.26%

The employer contribution from the City differs from the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**II. PENSION PLANS: (Continued)**

**B. Firefighters' Retirement System**

Plan Description - The City contributes to the Firefighters' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public retirement system, which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 434 of the 1979 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2251 through 11:2269, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Capital Station, Baton Rouge, Louisiana 70804-9095.

Funding Policy - Plan members are required to contribute 8% of their earnable compensation and the City is required to contribute at an actuarially determined rate. The current rate is 26.50% of annual-covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Firefighters' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2009	\$ 366,035	100.00%
June 30, 2010	415,304	70.00%
June 30, 2011	687,902	87.23%

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**11. PENSION PLANS: (Continued)**

**C. Municipal Police Employees' Retirement System**

Plan Description - The City contributes to the Municipal Police Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (MPERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 189 of the 1973 Louisiana Legislative Session established the plan. The System is governed by Louisiana Revised Statutes 11:2211 through 11:2233, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, P.O. Box 94095, Capital Station, Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required to contribute 7.5% of their annual-covered salary and the City is required to contribute 25.0% of annual payroll. The contribution requirements of plan members and the City are established and may be amended by state statute.

The actuarial required employer contributions and the percentage contributed for the Municipal Police Employees' Retirement System for the past three years is as follows:

<u>Fiscal Year</u>	<u>Actuarial Required Contribution Employer</u>	<u>Percentage Contributed Employer</u>
June 30, 2009	\$ 426,847	91.56%
June 30, 2010	962,707	47.19%
June 30, 2011	1,193,700	87.50%

The employer contribution from the City differs from the actuarially required contribution due to the state law that requires the employer contribution rate be calculated and set two years prior to the year effective.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**12. FUND BALANCES**

**Governmental Funds:**

Description:	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Sales Tax Fund	Sales Tax '06 Bond Construction Fund		
<b>Fund Balances:</b>					
Nonspendable:					
Long-term receivable	\$ 180,000	\$ -	\$ -	\$ 243,659	\$ 423,659
Prepaid insurance	-	-	68,286	-	68,286
Deferred revenue	-	-	-	1,155	1,155
Restricted for:					
Encumbrances	65,827	-	-	-	65,827
Debt service	-	-	2,226,933	1,981,414	4,208,347
Public safety: police	-	-	-	97,588	97,588
Downtown development	-	-	-	318,590	318,590
Committed to:					
Sales taxes	-	1,890	-	-	1,890
Emergency reserves	-	-	-	602,031	602,031
Public safety: police	-	-	-	378,552	378,552
Public safety: fire	-	-	-	502,969	502,969
Library trust	-	-	-	34,386	34,386
Capital projects	-	-	921,200	1,482,949	2,404,149
Assigned to:					
Public safety: police	-	-	-	54,655	54,655
Culture and recreation	-	-	-	204,963	204,963
Downtown development	-	-	-	343,411	343,411
Other purposes	-	-	-	80,541	80,541
Unassigned:	<u>805,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>805,260</u>
<b>Total Fund Balances</b>	<b>\$ 1,051,087</b>	<b>\$ 1,890</b>	<b>\$ 3,216,419</b>	<b>\$ 6,326,863</b>	<b>\$ 10,596,259</b>

**13. EMERGENCY RESERVE FUND**

With Ordinance No. 06-4048, The Hammond City Council (the Council) established a Disaster Emergency Fund for the purpose of maintaining funds that will be available in the time of emergency to assist with recovery efforts for the City. These amounts may be spent on necessary expenses to expedite the return of the City to normalcy following a nature or man-made disaster. The Fund may be abolished or reduced for use for non-emergency disaster purposes only by regular ordinance and only upon a two-thirds vote of the Council. The fund had a Fund Balance of \$602,031 at June 30, 2011.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**14. RISK MANAGEMENT:**

The City is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To account for and finance its uninsured risk of loss, the City has established an Insurance Fund (an internal service fund). Under this program, the Insurance Fund provides coverage for up to a maximum of \$350,000 for each worker's compensation claim and \$100,000 for each general liability claim. The City also purchases commercial insurance for claims in excess of coverage provided by the fund.

The General Fund and Enterprise Fund participate in the program and make payments to the fund based on management's estimates of the amounts needed to pay prior and current year claims. These interfund "premiums" related to workers' compensation, general liability and property insurance coverage are reported as quasi-external transactions. At June 30, 2011, the outstanding claims liability was \$527,372, which includes estimated liability for incurred but not reported claims. The liability is based on the requirements of GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

Changes in the general liability and workers' compensation claims liability amount for the years ended June 30, 2011, 2010 and 2009 were:

	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Estimates</u>	<u>Claim Payments</u>	<u>Balance at Year End</u>
2011	\$ 496,946	\$ 855,248	\$ 824,822	\$ 527,372
2010	246,632	1,085,057	834,743	496,946
2009	856,247	593,814	1,203,428	246,632

The City has established a Health Insurance Fund (an internal service fund) to account for a partially self-insured health insurance plan that the City provides to its employees. Under this program, the Health Insurance Fund provides partial coverage for employee deductibles. For a single employee, the deductible is \$1,700, of which the City is responsible for \$1,000. For a family, the deductible is \$3,450, of which the City is responsible for \$2,050. Any claims in excess of the above stated deductible amounts are covered by a commercial insurance company.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**14. RISK MANAGEMENT: (Continued)**

At June 30, 2011, the outstanding claims liability was \$101,833. The liability is based on the requirements of GASB No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable and the amount of the loss can be reasonably estimated. Estimated claims liability is determined using specific claims information obtained from the City's claims administrator.

**15. SUPPLEMENTAL PAY:**

In addition to the compensation paid to the City of Hammond's employees, employees who are firefighters and police officers may be eligible to receive supplemental pay. Each type of employee is governed by their particular revised statute. The amount of the compensation is determined by State Law and is revised periodically.

As per Louisiana Revised Statute 33:2002, any full time, regular employee of the City fire department who is hired after March 31, 1986 and who has passed a certified firefighters' training program equal to the National Fire Protection Association Standard 1001 and who is paid three hundred dollars per month from public funds is eligible for supplemental pay. These full-time employees are carried on the payroll paid from funds of the City obtained through lawfully adopted bond issues or lawfully assessed taxes, either directly or through a board or commission set up by law or ordinance. Employees employed by the fire department are not eligible for supplemental pay if they are presently drawing a retirement or disability pension, clerical employees, mechanics and for those employees who have not passed a certified firefighters' training program but are hired after March 31, 1986. State supplemental pay for firefighters' must be taken into account in calculating firefighters' holiday pay and overtime pay.

As per Louisiana Revised Statute 33:2219.2, any employee who devotes his or her full working time to law enforcement and who is hired after March 31, 1986 and who has completed a council certified training program as provided in Louisiana Revised Statute 40:2405 and is paid a salary of not less than three hundred fifty dollars per month shall be paid by the state extra compensation. A police officer entitled to additional pay out of state funds includes any person employed on a full-time basis who works as a duly commissioned law enforcement officer for the performance of primary duties which encompass the enforcement of state laws, supervisory police work, provides necessary services to the officers, desk sergeant or identification technician or a full-time radio dispatcher. Any person who received additional pay out of state funds shall continue to receive said additional state pay during any period of disability resulting from any injury sustained in the line of duty. The additional pay out of state funds shall continue to be paid to such person until the time that said person is determined to be permanently disabled and no longer able to return to work.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**15. SUPPLEMENTAL PAY: (Continued)**

As of June 30, 2011, the City has recognized \$849,339 in revenues (intergovernmental) and expenditures (public safety) that the State of Louisiana has paid directly to the City's employees.

**16. LITIGATION AND CLAIMS:**

At June 30, 2011, the City is a defendant in several lawsuits seeking damages. Possible liabilities arising from these claims and legal actions are immaterial and will not have a significant effect on the financial statements.

**17. LEASES:**

The City of Hammond entered into an operating lease agreement for the lease of its land. The lease term is for five years, which commenced March 1998, with an option to renew for four five-year periods beginning March 2003. The monthly rent beginning March 1998 was \$1,000, with an annual adjustment in accordance with the Consumer Price Index, All Urban Consumers. Rent income for the year ended June 30, 2011 was \$61,128.

**18. NOTES RECEIVABLE:**

Governmental Funds

General Fund

The City of Hammond entered into a fifteen year promissory note with a partnership to assist in the renovation of a building. The value of the note is \$180,000 with an annual interest rate of 6.42%. The collateral received on the note is the renovated building. Annual payments are due to the City only to the extent that the partnership has "cash flow" as defined in the note. If "cash flow" is less than the amount of the annual installment, the amount of unpaid interest and principal is deferred, due and payable in 2014. The partnership has not made any payments as of June 30, 2011 as the "cash flow" requirements have not been met. Interest on this note has not been accrued since it is not deemed to be collectible at this time. The principal amount due is as follows:

<u>June 30</u>	<u>Amount Due</u>
2012	\$ 12,000
2013	12,000
2014	<u>156,000</u>
<b>TOTAL</b>	<b><u>\$ 180,000</u></b>

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**18. NOTES RECEIVABLE: (Continued)**

Other Governmental Funds

The City received federal funds to enter into low interest loans with various businesses throughout the City. The terms of the loans range from five to ten years with interest rates ranging from .75% to 5.75%. As the loans are paid off, the City enters into other low interest loans with businesses in the City. All loans are secured with property, inventory, land or certificates of deposit. The amount due to the City over the next five years and beyond is as follows:

<u>June 30</u>	<u>Amount Due</u>
2012	\$ 66,687
2013	67,891
2014	63,785
2015	64,215
2016	48,761
Thereafter	77,062
<b>TOTAL</b>	<b><u>\$ 388,401</u></b>

**19. COMMITMENTS:**

The City of Hammond has entered into various construction contracts. The original amount of the contracts was \$6,329,202, of which \$4,834,809 has been expended as of June 30, 2011.

**20. OTHER POSTEMPLOYMENT BENEFITS:**

Plan Description

The City of Hammond's medical benefits are provided through a self-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Plan Description (Continued)

City Ordinance Number 03-2942, C.S. states that the City may choose to discontinue the Program at any time upon one year's notice.

Contribution Rates

For employees with at least twelve years but less than twenty years of continuous service and elected officials with at least eight years of continuous service, the City contributes 25% of the individual employee premium, not to exceed \$350 per month. For employees with twenty or more years of continuous service, the City contributes 50% of the individual employee premium, not to exceed \$350. For the year ended June 30, 2011, the retiree portion of the monthly premium ranged from \$196 to \$418, and the City's portion ranged from \$98 to \$205.

Funding Policy

Until Fiscal Year Ended June 30, 2008, the City of Hammond recognized the cost of providing post-employment medical benefits (the City of Hammond's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning July 1, 2008, the City of Hammond implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In Fiscal Year Ended June 30, 2011, the City of Hammond's portion of health care funding cost for retired employees totaled \$92,076. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Annual Required Contribution

The City of Hammond's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning July 1, 2010 is \$132,044, as set forth below:

Normal Cost	\$ 47,094
30-year UAL amortization amount	84,950
Annual required contribution (ARC)	<u>\$ 132,044</u>

Net Other Post Employment (OPEB) Obligation

The table below shows the City of Hammond's Net Other Postemployment Benefit (OPEB) Obligation for fiscal year ended June 30, 2011:

Annual required contribution (ARC)	\$ 132,044
Interest on net OPEB obligation	6,525
ARC Adjustment	<u>(9,433)</u>
Annual OPEB Cost	129,136
Current year retiree premium	<u>(92,076)</u>
Change in Net OPEB Obligation	37,060
Beginning Net OPEB Obligation - 7/1/10	<u>163,108</u>
Ending Net OPEB Obligation - 6/30/11	<u>\$ 200,168</u>

The following table shows the City of Hammond's annual other postemployment benefits (OPEB) cost, percentage of the cost contributed, and the net unfunded other postemployment benefits (OPEB) liability:

Other Post-Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical	June 30, 2009	\$ 121,628	36.5%	\$ 77,234
Medical	June 30, 2010	121,766	29.5%	163,108
Medical	June 30, 2011	129,136	71.3%	200,168

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Funded Status and Funding Progress

In the fiscal year ended June 30, 2011, the City of Hammond made no contributions to its other postemployment benefits plan. The plan was not funded at all, has no plan assets, and hence has a funded ratio of zero. As of July 1, 2010, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$1,468,880, which is defined as that portion, as determined by a particular actuarial cost method (the City of Hammond uses the Unit Credit Cost Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded, the entire actuarial accrued liability of \$1,468,880 was unfunded.

Actuarial Accrued Liability (AAL)	\$ 1,468,880
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,468,880
 Funded Ratio (Actuarial Value of Plan Assets/AAL)	 0.0%
Covered Payroll (active plan members)	\$ 13,011,411
UAAL as a percentage of covered payroll	11.3%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for other postemployment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Hammond and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Hammond and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Hammond and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45 would be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 6%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	10.0%
26 - 40	7.0%
41 - 54	5.0%
55+	3.0%

Post employment Benefit Plan Eligibility Requirements

Based on past experience and retirement patterns, it has been assumed that entitlement to employer-paid retiree medical benefits will commence five years after D.R.O.P. entry, as described above under "Plan Description" (three years in D.R.O.P. and two additional years). Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate)

The investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**20. OTHER POSTEMPLOYMENT BENEFITS: (Continued)**

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5% for 2018 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays for a variable percentage of the retiree portion of the coverage (not dependents) for retiring employees based on length of service at retirement, but it is based on the blended active/retired rate. For those retiring with at least 20 years of service the retiree pays 50% of the blended rate; for at least 12 years of service but less than 20 years, the retiree pays 75% of the blended rate; for less than 12 years of service the retiree pays 100% of the blended rate. Employer payment for retiree coverage ceases at Medicare eligibility at age 65. Since GASB 45 mandates that "unblended" rates applicable to the coverage provided to retirees be used, we have estimated the total "unblended" rates for retirees before Medicare eligibility to be 130% of the blended active/retired rate, with the employer assumed to pay the difference between that unblended rate and the employee contribution of the blended rate as discussed above.

**CITY OF HAMMOND, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
*As of and for the Year Ended June 30, 2011*

**21. FUND BALANCE/NET ASSET DEFICIENCIES:**

At June 30, 2011, the Workers Compensation/General Liability Insurance Fund had a deficit net asset balance of \$125,429. This deficit will be financed through transfers from other funds.

**22. PRIOR PERIOD ADJUSTMENT**

General Government:

During the current year, it was determined that infrastructure, in the amount of \$1,657,634 was not properly accounted for in the prior year. To correct this error, the beginning net assets for the governmental activities of \$35,549,770, as originally reported, have been increased to \$37,207,404.

Component Units:

During the current year in the City Court of Hammond, it was determined that a prior year interfund receivable needed to be written off in the amount of \$10,843. To correct this error, the beginning net assets for the component units of \$1,156,709, as originally reported, have been decreased to \$1,145,866.

**23. SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 1, 2011, which is the date the financial statements were available to be issued.

The City Issued \$4,390,000 of Limited Tax Revenue Bonds, Series 2011, of the City of Hammond, State of Louisiana (the Issuer), dated December 1, 2011, for the purpose of refunding all of the Issuer's outstanding Sales Tax Bonds, Series 2002 and paying the costs incurred in connection with the issuance of the Bonds.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HAMMOND, LOUISIANA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 5,075,000	\$ 5,245,000	\$ 4,988,004	\$ (256,996)
Licenses and permits	1,650,000	1,650,000	1,707,180	57,180
State Grant Revenue	-	-	4,918	4,918
Cemeteries and municipal grounds	60,000	60,000	102,593	42,593
Highways and streets	20,000	20,000	20,930	930
Public safety: police	40,000	40,000	34,876	(5,124)
Public safety: fire	325,000	325,000	328,850	3,850
Fines and forfeitures	500,000	500,000	424,824	(75,176)
Sanitation service fees	750,000	750,000	754,975	4,975
State supplemental pay	906,000	906,000	849,339	(56,661)
Parks and recreation	64,175	64,175	62,393	(1,782)
Donations	-	-	1,385	1,385
Interest	3,100	3,100	5,040	1,940
Miscellaneous	<u>355,800</u>	<u>355,800</u>	<u>498,479</u>	<u>142,679</u>
Total revenues	<u>9,749,075</u>	<u>9,919,075</u>	<u>9,783,786</u>	<u>(135,289)</u>
<b>EXPENDITURES:</b>				
General government	4,168,612	4,168,612	3,909,639	258,973
Public Safety:				
Police	7,495,180	7,495,180	7,360,648	134,532
Fire	5,050,800	5,050,800	5,121,965	(71,165)
Buildings	625,000	625,000	738,808	(113,808)
Highways and streets	2,689,013	2,689,013	2,203,180	485,833
Cemeteries and municipal grounds	1,066,260	1,066,260	1,049,054	17,206
Sanitation	780,000	780,000	799,015	(19,015)
Airport	373,900	373,900	293,185	80,715
Parks and recreation	763,850	763,850	662,655	101,195
Capital Outlay	<u>118,000</u>	<u>118,000</u>	<u>144,476</u>	<u>(26,476)</u>
Total expenditures	<u>23,130,615</u>	<u>23,130,615</u>	<u>22,282,625</u>	<u>847,990</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(13,381,540)</u>	<u>(13,211,540)</u>	<u>(12,498,839)</u>	<u>712,701</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	13,195,000	13,195,000	13,194,762	(238)
Operating transfers out	<u>(1,538,000)</u>	<u>(1,660,000)</u>	<u>(1,728,099)</u>	<u>(68,099)</u>
Total other financing sources and uses	<u>11,657,000</u>	<u>11,535,000</u>	<u>11,466,663</u>	<u>(68,337)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(1,724,540)</u>	<u>(1,676,540)</u>	<u>(1,032,176)</u>	<u>644,364</u>
Fund balance, beginning of year	<u>1,729,000</u>	<u>1,729,000</u>	<u>2,083,263</u>	<u>354,263</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 4,460</u>	<u>\$ 52,460</u>	<u>\$ 1,051,087</u>	<u>\$ 998,627</u>

# CITY OF HAMMOND, LOUISIANA

## BUDGETARY COMPARISON SCHEDULE

### SALES TAX FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Sales and use tax	\$ 15,600,000	\$ 15,760,000	\$ 15,745,079	\$ (14,921)
Interest	20,000	20,000	509	(19,491)
Total revenues	<u>15,620,000</u>	<u>15,780,000</u>	<u>15,745,588</u>	<u>(34,412)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Fire	-	-	-	-
Buildings	-	-	-	-
Highways and streets	-	-	-	-
Parks and recreation	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>15,620,000</u>	<u>15,780,000</u>	<u>15,745,588</u>	<u>(34,412)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	-	-	-
Operating transfers out	(15,679,497)	(15,772,264)	(15,748,688)	23,576
Total other financing sources and uses	<u>(15,679,497)</u>	<u>(15,772,264)</u>	<u>(15,748,688)</u>	<u>23,576</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(59,497)</u>	<u>7,736</u>	<u>(3,100)</u>	<u>(10,836)</u>
Fund balance - beginning of year	<u>4,990</u>	<u>4,990</u>	<u>4,990</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ (54,507)</u>	<u>\$ 12,726</u>	<u>\$ 1,890</u>	<u>\$ (10,836)</u>

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FUNDING PROGRESS FOR**  
**THE CITY'S OPEB PLAN**  
**FOR THE YEARS ENDED JUNE 30, 2011, 2010, AND 2009**

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
06/30/09	07/01/2008	\$ -	\$ 1,260,343	\$ 1,260,343	0%	\$12,223,317	10%
06/30/10	07/01/2008	-	1,260,343	1,260,343	0%	11,746,858	11%
06/30/11	07/01/2010	-	1,468,880	1,468,880	0%	13,011,411	11%

The actuarial valuation date differs from the financial reporting date. The actuarial valuations are as of the beginning of the fiscal year. An actuarial valuation is only required biennially.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF HAMMOND, LOUISIANA**  
**COMPENSATION PAID - MAYOR AND CITY COUNCIL MEMBERS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Amount</u>
Mayson Foster	Mayor	\$ 75,500
Johnny Blount	City Council - District 1	12,600
Jason Hood	City Council - District 2	12,600
Robert Martin	City Council - District 3	5,788
Lemar Marshall	City Council - District 4	5,788
Michael Williams	City Council - District 5	<u>12,600</u>
		<u>\$ 124,876</u>

The schedule of compensation paid to the Mayor and City Council members was prepared in compliance with the Hammond City Charter, Section 2-04 Compensation. According to the City Charter, the compensation for Council members is \$1,000 per month as well as a \$50 cell phone allowance. The salary of the Mayor of the City shall be \$75,500 per annum.

# Kushner LaGraize, LLC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayson Foster, Mayor  
and Members of the City Council  
City of Hammond, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Hammond, Louisiana (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies that we considered to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, items 11-01 and 11-02, to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 11-03 through 11-05.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 1, 2011

# Kushner LaGraize, LLC

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayson Foster, Mayor  
and Members of the City Council  
City of Hammond, Louisiana

### Compliance

We have audited the compliance of the City of Hammond, Louisiana (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### ***Schedule of Expenditures of Federal Awards***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report thereon dated December 1, 2011 which contained unqualified opinions on the financial statements as a whole. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City of Hammond, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under the Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kushner LaGraize, L.L.C.*

Metairie, Louisiana  
December 1, 2011

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2011**

Federal CFDA Number	Grant Number		<u>Expenditures</u>
---------------------------	-----------------	--	---------------------

**MAJOR FEDERAL AWARDS**

**Department of Transportation**

Direct Programs:

20.106	32200180172010	Airport Improvement Grant	\$ 695,178
<b>Total Department of Transportation</b>			<b>\$ 695,178</b>
<b>TOTAL MAJOR FEDERAL AWARD EXPENDITURES</b>			<b>\$ 695,178</b>

**NONMAJOR FEDERAL AWARDS**

**Department of Agriculture & Forestry**

Passed through the State:

10.675	CFMS-698189	Urban and Community Forestry Grant Program	\$ 2,985
<b>Total Department of Agriculture &amp; Forestry</b>			<b>\$ 2,985</b>

**Department of Energy**

Passed through the Parish:

81.128	EEA-1050	Energy Efficiency Conservation Block Grant	\$ 58,347
<b>Total Department of Energy</b>			<b>\$ 58,347</b>

**Department of Environmental Quality**

Passed through the State:

66.458	CS-221740-01	Capitalization Grant for Clean Water State Revolving Funds - ARRA	\$ 109,526
<b>Total Department of Environmental Quality</b>			<b>\$ 109,526</b>

**Department of Health & Human Services**

Passed through the State:

93.711	90SN0049/01	Strengthening Communities Fund - ARRA	\$ 145,420
<b>Total Department of Health &amp; Human Services</b>			<b>\$ 145,420</b>

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**YEAR ENDED JUNE 30, 2011**

Federal CFDA Number	Grant Number		Expenditures
<b>Department of Housing &amp; Urban Development</b>			
Passed through the State:			
14.231	CFMS-679217	Emergency Shelter Grant Program	\$ 22,550
<b>Total Department of Housing &amp; Urban Development</b>			<b>\$ 22,550</b>
<b>Department of Justice</b>			
Direct Program:			
16.579	2010-DJ-BX-1423	Edward Bryne Memorial Formula Grant Program	\$ 47,309
16.607	BA-2000S-FC01	Bulletproof Vest Partnership Program	3,211
			50,520
Passed through the State:			
16.523	A08-8-017	Juvenile Accountability Block Grant	2,500
16.523	A09-8-017	Juvenile Accountability Block Grant	11,102
16.738	B08-5-015	Edward Bryne Memorial Justice Assistance Grant Program	6,690
16.738	B10-5-019	Edward Bryne Memorial Justice Assistance Grant Program	20,000
16.804	2009-SBB9-2442	Edward Bryne Memorial Justice Assistance Grant Program - ARRA	26,816
			67,108
<b>Total Department of Justice</b>			<b>\$ 117,628</b>
<b>Department of Transportation</b>			
Passed through the State:			
20.205	ENH-5308 (515)	Highway Planning and Construction Grant - ARRA	\$ 3,622
20.219	737-53-0012	Safe Routes to Schools	8,167
20.600	PT-2010-23-0000	State and Community Highway Safety	11,794
20.600	PT-2011-30-0045	State and Community Highway Safety	25,964
<b>Total Department of Transportation</b>			<b>\$ 49,547</b>
<b>U. S. Environmental Protection Agency</b>			
Passed through the State:			
66.202	EM-96664502	Congressionally Mandated Project Grant	\$ 22,004
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 22,004</b>
<b>TOTAL NONMAJOR FEDERAL AWARD EXPENDITURES</b>			<b>528,007</b>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>\$ 1,223,185</b>

See Notes to Schedule of Expenditures of Federal Awards.

**CITY OF HAMMOND, LOUISIANA**

**NOTES TO SCHEDULE OF EXPENDITURES**

**OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Schedule of Expenditures of Federal Awards of the City of Hammond has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

**2. DETERMINATION OF TYPE A AND TYPE B PROGRAMS:**

Federal awards programs are classified as either Type A or Type B programs. For the year ended June 30, 2011, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**SUMMARY OF AUDITORS' RESULTS:**

1. The opinion issued on the financial statements of the City of Hammond for the year ended June 30, 2011 was unqualified.
2. The audit disclosed no instances of noncompliance, which were material to the financial statements of the City of Hammond.
3. An unqualified opinion was issued on compliance for major programs of the City of Hammond for the year ended June 30, 2011.
4. City of Hammond had one major programs as follows:

**Expenditures**

Department of Transportation -  
Airport Improvement Grant

\$ 695,178

Type A programs are those programs with Federal awards expended during the current year ended June 30, 2011 exceeding \$300,000.

5. City of Hammond did not qualify as a low-risk auditee.
6. Findings Required To Be Reported Under Generally Accepted Government Auditing Standards:

**Significant Deficiencies:**

- (11-01) Currently, the City does not have controls in place to prepare its annual financial statements with required disclosures. The lack of a complete GAAP financial reporting package prepared by the City could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements. We recommend that the City review its system to determine the feasibility of implementing controls to prepare financial statements with disclosures on an annual basis.
- (11-02) During the audit it was noted that, in one instance, a capital asset was not recorded in the general ledger when it was donated by an outside party. A system should be in place to record donated assets on the general ledger at the time the donation takes place. Not properly recording an asset on the general ledger when the donation takes place results in an understatement of assets and net assets on the financial statements. We recommend that the City improve the controls over donated assets to ensure that all capital assets are recorded to the general ledger in a timely manner.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Compliance with Laws and Regulations:

- (11-03) During our testing of budget compliance, we noted that in one fund actual revenues fell below budgeted revenues by more than 5%. The Louisiana Budget Act requires the budget to be amended when actual revenues fall below 5% of the budgeted amount. Not amending the budget when revenues fall below 5% of the budgeted amounts is a violation of the Louisiana Budget Act. We recommend that the City review the budget periodically and amend it when required by law.
- (11-04) During the audit it was discovered that one governmental fund had a beginning fund balance with a variance of more than 5% of the budgeted beginning fund balance. Not amending the budgeted beginning fund balance to fall within the 5% range is a violation of the Louisiana Budget Act. We recommend that the City review the budget periodically and amend it when required by law.

Other Matters:

- (11-05) During the audit it was discovered that the City did not fully fund administrative costs and deductible payments for its self insured general liability and workers compensation plan. The City should fund its self insured general liability and workers compensation plan to ensure payment of the benefits. Not funding the plan resulted in a deficit fund balance. We recommend that the City fund the self insured general liability and workers compensation plan in order to meet future needs in administrative costs and deductible payments and to eliminate the deficit fund balance.

Status of Prior Year Comments:

- (10-01) It was noted during the audit, that the City is not properly recording or keeping records of intangibles, such as right-of-ways, in accordance with Government Accounting Standards Board (GASB) Statement 51. The value of right-of-ways should be recorded on the government-wide financial statements. Failure to record the value of these right-of-ways on the government-wide financial statements results in a GAAP departure. We recommend that the City keep records of all right-of-ways and properly record the value of these right-of-ways on the government-wide financial statements in the future. This finding has been resolved for the year ended June 30, 2011.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Status of Prior Year Comments: (Continued)

- (10-02) During the audit, it was noted in two instances that capital assets were not disposed of on the general ledger when they were donated to an outside party. A system should be in place to dispose of donated assets on the general ledger at the time when the donation takes place. Not properly disposing of assets on the general ledger when the donation takes place results in an overstatement of assets and net assets on the financial statements. We recommend that the City improve the controls over capital asset disposals to ensure that all capital assets disposed of are removed from the general ledger in a timely manner. This finding has been resolved for the year ended June 30, 2011.
- (10-03) Currently, the City does not have controls in place to prepare its annual financial statements with required disclosures. The lack of a complete GAAP financial reporting package prepared by the City could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements. We recommend that the City review its system to determine the feasibility of implementing controls to prepare financial statements with disclosures on an annual basis. This finding is repeated through current year finding 11-01.
- (10-04) During the audit, it was noted that clerks make utility billing adjustments and collect utility billing payments from customers. The duties of making utility billings adjustments and collecting payments should be segregated. The lack of segregation of duties could potentially result in the misappropriation of City assets. We recommend that the City properly segregate these duties. This finding has been resolved for the year ended June 30, 2011.
- (10-05) During the audit, it was noted that sufficient documentation for utility billing adjustments was not being maintained by the City. Sufficient documentation should be retained for all utility billings adjustments. Not maintaining sufficient documentation increases the risk of errors and fraud in the utility billing process. We recommend that the City maintain all documentation over utility billing adjustments for a reasonable period of time. This finding has been resolved for the year ended June 30, 2011.
- (10-06) It was noted during the audit that many adjustments are being proposed by the auditor. These entries include general accruals and exposure to potential liabilities. The City should record all adjustments to generate financial statements in accordance with GAAP. Failure to record these entries could result in a misstatement of the City's financial statements. We recommend that the City record these entries in future years. This finding has been resolved for the year ended June 30, 2011.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

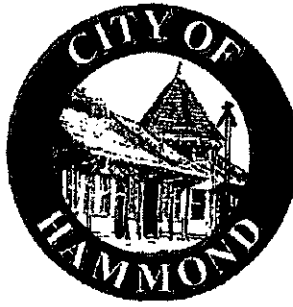
Status of Prior Year Comments: (Continued)

- (10-07) During the audit, procedures were performed to determine if the correct amount of fuel flowage fees are being collected from a company that sells fuel to customers at the City's airport. Based on the City's ordinance, the fee to be paid to the City for selling fuel at the airport is \$0.10 per gallon sold. The results of our testing disclosed that the company underpaid the City by approximately \$6,500 for the fiscal year ended June 30, 2010. This underpayment was not prevented or detected in a timely manner due to the City's lack of controls over receipts at the airport. The lack of controls over receipts at the airport could result in additional errors in revenue or fraud. We recommend that the City improve controls over receipts at the airport by establishing monthly receipts of the fuel flowage fee from the tenants, recalculating the fuel flowage fee received and timely submitting funds received and supporting documentation to the City's revenue department. This finding has been resolved for the year ended June 30, 2011.
- (10-08) During the audit, it was noted that the introduction of the public hearing to adopt the fiscal year 2010 original budget was published in the newspaper only three days prior to the public hearing. The Louisiana Budget Act requires the introduction of the public hearing to adopt the budget to be published at least ten days prior to the public hearing. Not publishing this information at least ten days prior to the public hearing is a violation of the Louisiana Budget Act. We recommend that the City publish this information at least ten days prior to the public hearing in the future. This finding has been resolved for the year ended June 30, 2011.
- (10-09) During the audit, it was discovered that in one fund actual revenues fell below budgeted revenues by more than 5%. This Louisiana Budget Act requires the budget to be amended when actual revenues fall below 5% of the budgeted amount. Not amending the budget when revenues fall below 5% of budgeted amounts is a violation of the Louisiana Budget Act. We recommend that the City review the budget periodically and amend it when required by law. This finding is repeated through current year finding 11-03.
- (10-10) During the audit, it was discovered that two governmental funds have beginning fund balances with a variance of more than 5% of the budgeted beginning fund balances. Not amending budgeted beginning fund balances to fall within the 5% range is a violation of the Louisiana Budget Act. We recommend that the City review the budget periodically and amend it when required by law. This finding is repeated through current year finding 11-04.

**CITY OF HAMMOND, LOUISIANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Status of Prior Year Comments: (Continued)**

- (10-11) During the audit, it was determined that utility charges were not adequate to cover current operating expenses, capital outlay and debt service payments. The City should evaluate utility rates yearly to ensure that utility charges will cover operating expenses, capital outlay and debt service payments. Failure to properly adjust utility rates results in the Fund not being able to cover its expenses without the transfer of monies from other funds of the City. We recommend the City properly adjust the utility rates in order to generate adequate revenue to cover operating expenses, capital outlay and debt service payments. This finding has been resolved for the year ended June 30, 2011.
- (10-12) It was noted during the audit that the cash and cash equivalents balance in the meter deposit fund was only \$434,301, while the liability for meter deposits amounted to \$628,600. The cash and cash equivalents balance in the meter deposit fund should be sufficient to cover the meter deposit liability balance, as these funds are restricted to pay the meter deposit liability. Having insufficient funds to cover the meter deposit liability balance could result in the inability to return meter deposits to customers. We recommend that the City maintain a cash and cash equivalents balance in the meter deposit fund that is sufficient to cover the meter deposit liability. This finding has been resolved for the year ended June 30, 2011.
- (10-13) Per review of the General Liability & Worker's Compensation Internal Service Fund Reserve, it was noted that the reserve fund had a balance of approximately \$79,000. Typically, the reserve for a self-insured worker's compensation plan is two and one half of monthly claims. For the City of Hammond, this equates to a reserve of approximately \$200,000. Not maintaining the proper reserve amount could result in the inability to pay claims. We recommend that the City increase premiums in order to increase the reserve fund balance to at least \$200,000. This finding has been resolved for the year ended June 30, 2011.
- (10-14) During the audit, it was discovered that the City did not fully fund administrative costs and deductible payments for its self-insured health plan. The City should fund its self-insured health plan to ensure payment of benefits. Not funding the plan resulted in a deficit fund balance. We recommend that the City fund the self-insured health plan in order to meet future needs in administrative costs and deductible payments and to eliminate the deficit fund balance. This finding has been resolved for the year ended June 30, 2011.



Mayson H. Foster  
Mayor

December 5, 2011

Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
1600 N. Third Street  
Baton Rouge, LA 70802

Dear Mr. Purpera:

This letter is submitted in response to the findings noted by our auditors Kushner LaGraize, LLC, during the City of Hammond's audit for the fiscal period July 1, 2010 through June 30, 2011.

**Significant Deficiency:**

**11-01** Currently, the City does not have controls in place for the City to prepare its annual financial statements with required disclosure. The lack of a complete GAAP financial reporting package prepared by the City could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements. We recommend that the City review their system to determine the feasibility of implementing controls to prepare financial statements with disclosures on an annual basis.

**Response:**

The Administration has reviewed the feasibility of controls to prepare financial statements with disclosures as recommended by the auditor. We feel it is the prudent use of public funds to continue to engage the auditor to provide the financial statements with the disclosure for the City of Hammond.

**11-02** During the audit it was noted that, in one instance, a capital asset was not recorded in the general ledger when it was donated by an outside party. A system should be in place to record donated assets on the general ledger at the time the donation takes place. Not properly recording an asset on the general ledger when the donation takes place results in an understatement of assets and net assets on the financial statements. We recommend that the City improve the controls over donated assets to ensure that all capital assets are recorded to the general ledger in a timely manner.

**Response:**

We believed that the United States Army would classify and record the taxiway, which was constructed and financed by them, on their records. We also believed that the taxiway was constructed specifically for the Army's purpose. After communicating with the auditors and army personnel, we understand that the taxiway is for public use and should have been recorded as a capital asset in the financial records of the City. We will take the steps recommended by the auditors to ensure compliance regarding donated assets in the future.

**Compliance with Laws and Regulations:**

**11-03** During the audit it was discovered that in one fund actual revenue fell below budgeted revenues by more than 5%. The Louisiana Budget Act requires the budget to be amended when actual revenues fall below 5% of the budgeted amount. Not amending the budget when revenues fall below 5% of budgeted amounts is a violation of the Louisiana budget Act. We recommend that the City review the budget periodically and amend it when required by law.

**Response:**

The budget is reviewed and amended throughout the year. Generally this exception is a result of over calculating interest income in a minor fund. However, in this case, estimated Video Bingo Revenue was more than actual revenue collected. We will review all funds more closely to in an effort to eliminate this compliance exception.

**11-04** During the audit it was discovered that one governmental funds have beginning fund balances with a variance of more than 5% of the budgeted beginning fund balances. Not amending the budgeted beginning fund balance to fall within the 5% range is a violation of the Louisiana Budget Act. We recommend that the City review the budget periodically and amend it when required by law.

**Response:**

We amended the budget beginning balances as required based on internal calculations. We will review all funds more closely to ensure that this exception does not occur in the future.

**11-05** During the audit it was discovered that the City did not fully fund administrative costs and deductible payments for its self insured general liability and workers compensation plan. The City should fund its self insured general liability and workers compensation plan to ensure payment of the benefits. Not funding the plan resulted in a deficit fund balance. We recommend that the City fund the self insured general liability and workers compensation plan in order to meet future needs in administrative costs and deductible payments and to eliminate the deficit fund balance.

*Response:*

We will increase the funding to the General Liability Fund and the Workers Compensation Fund to eliminate any future deficit in the fund balance as recommend by the auditors.

Sincerely,



Larry Francis, Sr.  
Finance Director

Cc: Mayson H. Foster, Mayor  
Don Holtgren, City Administrator  
Michelle Treschwig, CPA – Kushner LaGraize, LLC  
File